

Hollywood

SPORTS  
MONDAY

# Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The World's Daily Newspaper

London, Monday, June 1, 1998

No. 35,845

TODAY:  
HEALTH  
SCIENCE  
Long-Delayed Series Page 9

## India Seeking to Calm Asian Nuclear Tension It Repeats Call for a No-First-Use Accord

**Compiled by Our Staff From Dispatches**  
**NEW DELHI** — India tried to cool regional tensions Sunday, repeating its call for a no-first-use weapons pact with Pakistan and a new global convention for nuclear disarmament.  
India also strongly denied a Pakistani allegation on Sunday that it planned a new round of nuclear explosions, insisting it stood by a newly declared moratorium.  
For its part, Pakistan tried to assuage global concerns about a runaway arms race in South Asia.  
Later, an Indian Foreign Ministry spokesman said that an official at its embassy in Islamabad had been attacked and badly beaten and that New Delhi had summoned Pakistan's ambassador to protest. The spokesman said the incident "had very disturbing connotations and was entirely unacceptable."  
Earlier, India took a swipe at the UN Security Council for making "several unwarranted references" to India in its reaction to the tit-for-tat nuclear tests carried out by Islamabad on Thursday and Saturday.  
"We are astonished that the council urges India not to conduct any further tests," the Ministry of External Affairs said in a statement. "The prime minister has repeatedly stated that India will observe a voluntary moratorium and refrain from conducting tests."  
Prime Minister Atal Behari Vajpayee said after India conducted its first underground nuclear blasts in 24 years — a total of five on May 11 and May 13 — that India was willing to hold talks with other nations to formalize a new moratorium.  
The Indian Foreign Ministry urged



Pakistanis greeting a garlanded Samar Mubarak, leader of the team that conducted nuclear tests, on Sunday.

## For Pakistan, a Symbol of Security

**By John Kifner**  
*New York Times Service*  
**ISLAMABAD**, Pakistan — Pakistan's nuclear scientists were draped in flowers and hailed as national heroes Sunday as they returned here from the Baluchistan Desert where they had set off atomic explosions that drew condemnation from around the world.  
The decision — despite the threat of sanctions — to match the nuclear tests this month of Pakistan's archival, India, and the euphoria that has gripped this country in the last few days can only be understood in terms of the blood feud that has preoccupied Pakistan for its half-century of existence.  
"There is a competitive, complex and deep sense of insecurity about India," Eghal Ahmed, a Pakistani scholar, said Sunday. "and nuclear weapons have become a symbol of security and competition with India."  
The rise of Hindu nationalists to power in India worsened tensions over the key flash point — the disputed territory of Kashmir — and led to the Indian nuclear tests earlier this month. But even in this context, Prime Minister Mian Nawaz Sharif's decision to go ahead with Pakistan's own tests came about through a complex interplay of pressures from within his government, the desires of the military and scientists, political rivalries and the Islamic

## U.S. to Back New Loans To Prop Up The Ruble

**Clinton Sees Lending By Aid Agencies as Underpinning Stability**

**By David Sanger**  
*New York Times Service*  
**WASHINGTON** — President Bill Clinton, fearing a meltdown of the ruble that could threaten the stability of the Russian government, said Sunday that the United States would support new international financial support for Russia if it is unable to meet its short-term debts.  
Mr. Clinton's statement, after a week in which investors fled the ruble, appeared to pave the way for a financial bailout of Russia by the International Monetary Fund.  
While U.S. officials refused to talk about the size of any new program, or when it might begin, analysts say Russia could require at least \$10 billion to make up for huge shortfalls in oil revenue and tax collection.  
If an emergency package is required, it would mark the fourth time in nine months that the IMF has been called in to cobble together a bailout plan in the face of market panic. The Fund is already administering huge loan programs in Thailand, Indonesia and South Korea.  
Mr. Clinton's statement was released by the White House after a frenzied series of meetings and phone calls that included discussions between Mr. Clinton and President Boris Yeltsin, Vice President Al Gore and Prime Minister Sergei Kiriyenko, as well as a visit to the U.S. Treasury by Anatoli Chubais, the former Russian deputy prime minister and one of the chief architects of its economic reforms.  
The statement was clearly timed to precede the opening of markets in Asia and then in Moscow. But Mr. Clinton's statement was vague. It said simply that the United States would endorse "additional conditional financial support from the international financial institutions, as necessary, to promote stability and structural reform in Russia."  
A senior U.S. official said Sunday that Washington did not endorse direct support to Moscow, of the kind it provided to Mexico during the 1995 peso crisis. Instead, the aid would flow through the IMF and the World Bank, where the United States provides a little less than a fifth of the funds.  
"It is too early to know amounts or precise methods," the official said, "which will depend very much on how the situation evolves."  
In the case of Mexico and the Asian crisis, Washington's interests were primarily economic: stopping a "contagion effect" that could lead investors to flee emerging markets around the world. American officials say they have

## Earthquake Relief Rushed to Afghans At Least 3,000 Are Believed Dead in 'Completely Flattened' Villages

**Compiled by Our Staff From Dispatches**  
**FAIZABAD**, Afghanistan — International aid workers scrambled Sunday to bring help to a remote mountainous region of northern Afghanistan devastated by a powerful earthquake that killed at least 3,000 people.  
"The destruction was quite amazing," the United Nations Coordinator for Afghanistan, Alfredo Witschi-Cestari, said after returning from Shari-Buzurg, the most seriously affected area.  
"We saw a couple of villages that had been completely flattened, but there are probably more," he said. "This is a mountainous region, and the force of the earthquake sent houses crashing down hillsides toward the valley below."  
A UN official in Faizabad said that at least 3,500 had died after Sunday's tremor, but that the toll would rise as reports of massive devastation were pouring in from surrounding areas.  
Relief workers at nearby Rostak said 3,000 people had already been buried in the 36 hours since the quake, which flattened scores of villages and caused whole hillsides to collapse.  
Aid agencies were skeptical of earlier claims of up to 5,000 dead by the Afghan opposition, which is waging a civil war against the Islamic Taliban militia.  
The Taliban swept to power after seizing the capital, Kabul, in September 1996, but its opponents still control parts of the north.  
The quake measured 7.1 on the open-ended Richter scale and destroyed nearly 60 villages in the same remote region where at least 4,000 people died in a similar disaster in February.  
The UN said that the population of the entire region was thought to be 60,000 and that half of the population lost their homes.  
By late Sunday, the weather in Faizabad turned cloudy and cold. Aid workers feared the area may get soaked in, making it difficult to get supplies into the region.

### AGENDA

**Less Zesty? 'Ginger' Quits the Spice Girls**  
*The Associated Press*  
**LONDON** — Geri Halliwell announced Sunday that she was leaving the Spice Girls, but the all-female British pop group said they would keep on singing with four Spices.  
Ms. Halliwell, also known as Ginger Spice, cited "differences between us" as the reason for her departure. "I'm sure the group will continue to be successful, and I wish them all the best. P.S. I'll be back," she said in a statement read by her lawyer.  
Reports that all was not well in Spiceworld surfaced Wednesday after Ms. Halliwell failed to appear with the group at a televised National Lottery Draw. She also missed concerts in Oslo on Thursday and Friday night.  
Emma Bunton (Baby Spice), Victoria Adams (Posh Spice), Melanie Chisholm (Sporty Spice) and Melanie Brown (Scary Spice) said the group's U.S. tour, which starts June 14, would not be affected.

**Geri Halliwell singing at a Spice Girls concert in Glasgow in April.**

**Books** ..... Page 3  
**Crossword** ..... Page 26  
**Opinion** ..... Page 8  
**Sports** ..... Pages 26-28  
**Sponsored Section** ..... Pages 13-18  
**Asia-Pacific: Perspectives on Renewal**  
**The Internet** ..... Page 12  
**The IHT on-line** www.ihon.com

## China's New Go-Getters Laid-Off Workers Cope by Starting Businesses

**By Erik Eckholm**  
*New York Times Service*  
**YICHANG**, China — Sitting in his storefront shop beneath a karaoke bar, surrounded by tall blackboards listing job openings, Fu Xuanrong could be a government model for the new era of worker layoffs, for he embodies the official dream of how laidoff workers should cope.  
Like tens of millions of other Chinese, Mr. Fu was sent home for good from a state-owned enterprise, in his case two years ago from the bankrupt steel mill that had been this Yangtze River city's biggest employer. But instead of languishing on welfare or demonstrating in the streets, Mr. Fu, 40, took it on himself to create his own new niche, becoming a sidewalk job-broker.  
"I am serving as a bridge to the new economy," said Mr. Fu, revealing, with his politically correct choice of words, that he has political wits, too.  
"What I am doing is a good example of China's economic reforms: It serves the people, it helps the whole world economy and it also shows the correctness of Deng Xiaoping Theory," he said, referring to the mix of capitalism with state planning that was fostered by the late leader and has been declared official gospel.  
Mr. Fu's business is enjoying modest success, but a look through the scores of jobs he has to offer suggests why China still faces a formidable employment problem. "Bookstore sales clerk, under age 30, hours 8 to 6, pay \$36 a month," reads a typical listing. "Restaurant bus-boy/dishwasher, \$30 a month plus room and board," reads another.  
Yes, the wages do tend to be rather low, Mr. Fu allowed. "There are so many laidoff workers that they are driving the price down," he said. He insisted that most of the spots will be taken within a few weeks.  
Since the pace of layoffs began to



Fu Xuanrong, a former factory worker, runs a sidewalk job brokerage.

## Karadzic Stays One Step Ahead of NATO Forces

**By Chris Hedges**  
*New York Times Service*  
**SARAJEVO**, Bosnia-Herzegovina — In a region of sleepy white stucco farmhouses, leafy hillsides and dusty back roads in eastern Bosnia, a game of cat and mouse is being played out between Radovan Karadzic, who has been indicted on war crimes charges, and special army forces from the United States, Britain and the Netherlands, say North Atlantic Treaty Organization intelligence officers.  
Mr. Karadzic, flamboyant wartime leader of the Bosnian Serbs, psychiatrist and amateur poet, is moving daily from one place to another, often just hours ahead of units intent on bringing him to trial at the International Court of Justice at The Hague, the officers said.  
The hunt, which NATO commanders vowed they would never conduct when they were first deployed here in December 1995, is for a man who has been stripped of his political power, most of his personal security and his control of black-market enterprises that netted him millions of dollars. His bodyguard, which once numbered 450 men, has melted away and left him dependent on about two dozen followers.  
"We often know where he is," said a European military officer. "Or we can find out. The problem is that we have to know where he will be in 12 hours. We can take him, but it will not be a walk in the park. It must be well planned. We don't want a large shoot-out with civilians caught in the cross-fire. He follows Saddam Hussein's tactic of staying in areas that mean we risk civilian deaths in an attempt to get him."

**Newsstand Prices**

Bahrein	1.000 BD	Malta	55 c
Cyprus	1.000 C	Nigeria	12500 Naira
Denmark	14.000 DK	Oman	1.250 QR
Finland	12.000 FM	Qatar	10.000 QR
Ghana	0.85	Rep. Ireland	IR £ 1.00
Great Britain	0.80	Saudi Arabia	10 SR
Guinea	5.50	S. Africa	R12 + VAT
Egypt	1.250 JD	U.A.E.	10.000 Dh
Jordan	K. SH. 160	U.S. MK. (Eur)	\$ 1.20
Kenya	700 KSh	Zimbabwe	Zim\$40.00

## East Europeans Buy Into the 'Easy-Credit' Culture

**By Jane Perlez**  
*New York Times Service*  
**WARSAW** — On a recent Saturday, Andrzej Komuda, 41, and his father-in-law, Janusz Lisowski, 69, were on their knees, tape measure in hand, sizing up refrigerators on the sprawling sales floor of the Promenada shopping center here. Rows of television sets flickered in the background as oven doors were opened and shut by picky buyers.  
Warsaw is in a shopping mode, and many customers are contemplating buying in a new way: on credit, thus fulfilling consumer dreams long denied under communism.  
Mr. Komuda bought a washing machine on credit last year. Now his 20-year-old refrigerator is broken, and he was looking for a replacement. "Now," he said, "there is an argument in the family about whether to buy this on credit, too."  
Central Europe is still far from the credit binge that enveloped the United States in the 1960s. Although more stores offer installment plans, multipurpose credit cards are virtually nonexistent.  
But suddenly, Poles, Czechs and Hungarians, who lived in Communist societies where interest payments were considered a capitalist evil and where it took years to save up for a television set or a car, are discovering the joys of buying now and paying later for everything from cribs to stereos.  
Retail credit grew by 50 percent in Poland last year, on top of similar growth the year before, and both the Czech Republic and Hungary recorded steady growth in consumer debt, according to Gabor Bogner, a Central Europe analyst at Goldman Sachs & Co. in London.  
In stores in the biggest cities, sales counters sprout leaflets describing how to make purchases on credit, and clerks are schooled on how to explain the plans. Both General Motors Corp. and Ford Motor Co. offer auto loans in Poland.  
The boom in consumer debt reflects the widening disparity between Eastern Europe's have and have-not economies, like Poland on one hand and Bulgaria and Romania on the other. Here, as in the Czech Republic and Hungary, the middle-class life style is spreading.  
But the buying spree has fueled trade imbalances as a flood of imports swamps exports. Last year, the trade deficit put such pressure on the Czech currency that officials were forced to devalue, after pledging that was the last thing they would do.  
Some months ago the Poles were concerned about their currency, too.

Mr. Karadzic, who the officials said frequently finds shelter in the properties of the Bosnian Serb Orthodox Church, has set up what a NATO official called "a very sophisticated system of electronic surveillance" to monitor NATO communications. Although any attempt to capture Mr. Karadzic is closely guarded information, NATO needs to inform troops in an area where an arrest might take place to expect "unusual" activity and to "stay calm."  
General Ratko Mladic, the commander of the Bosnian Serb Army during the 1992-95 civil war, and himself indicted on two counts of genocide, has retired to Belgrade, the officials said, and is believed to be writing his memoirs. NATO commanders concede that, for the moment, General Mladic is beyond their reach. But as for Mr. Karadzic, they say, Yugoslavia's president, Slobodan Milosevic, who elevated him to prominence

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See HUNT, Page 10

See CREDIT, Page 10

See WORKER, Page 21

See QUAKE, Page 4

See PAKISTAN, Page 4

See INDIA, Page 4

See LOANS, Page 21



## The Blazes of the Chimalapas / An Ancient Forest in Flames

## Mexico Is Powerless to Halt Ecological Disaster

By Molly Moore  
Washington Post Service

SAN ANTONIO, Mexico — Antonio Juarez is a foot soldier on the front lines of firefighter hell. His weapons against southern Mexico's worst fires in a century are a machete and five gallons of water in a rubber backpack. The peasant farmer, 51, charges into burning rubble clad in sandals, a straw cowboy hat and a tattered bandanna.

His futile mission: to help hold back the raging wildfires that are gobbling this nation's last virgin cloud forest, torching the trees that are home to nesting toucans and quetzals, charring tens of thousands of acres of hunting territory of endangered jaguars and pumas, and creeping beneath the lichen and mosses on the forest floor to consume the roots of rare flora.

"It's so tragic," said Miguel Angel Garcia of the People of the Southwest Woods, one of the most prominent environmental watchdog groups in southern Mexico. "You can't replace a burned pine forest; you can't replace a tropical cloud forest that has taken two thousand years to form."

The fires ravaging this mystical forest, called the Chimalapas, which has been the physical and spiritual reserve of Indians who have lived on its fringes for centuries, are so massive and remote that the authorities could not even count all the blazes until last week.

The smoke from these fires in the southwestern state of Oaxaca, the largest and most uncontrolled in Mexico, has drifted as far north as Wisconsin and South Dakota and across the U.S. Gulf Coast to Georgia.

The blazes of the Chimalapas — a mountainous subtropical area where under normal conditions clouds continually linger — not only have sent jungle cats, monkeys and birds fleeing for their lives, but also have reignited long-smoldering feuds between the government and environmentalists, between rich landowners and indigenous peasants, and between isolated mountain villages that have been waging agrarian wars for decades.

The causes of the blazes, as well as the inability to curb them, involve tales of revenge, government indifference and a national pride that may have led to waiting too long to seek help.

But for even the most advanced firefighters, these are no ordinary fires.

They burn as no other forest fire. Much of the flame is subterranean, disguising the true location of the conflagration. When the fires do burst into the open, they often are obscured by the jungle's thick canopy. That same canopy has prevented water dumped by small helicopters from reaching the flames.

"It's a lot worse than what I had envisioned," said Paul Weeden, who is coordinating the more than 30 American firefighting experts dispatched last week to assist the Mexicans.

Many of the fires in the Chimalapas are now essentially unreachable. It was only last week, when the U.S. government provided a King Air plane equipped with sensitive infrared sensors that can detect heat beneath the thick veil of smoke, that firefighters discovered the extent of the fires.

Because the cloud forest is such a unique environment — with 22 ecosystems and 62 varieties of reptiles — firefighters have been unable to employ many of the most effective methods of combating wildfires. There is no "back burning," setting controlled fires that consume potential fuel around the wildfire; no "herding" of smaller fires



Antonio Juarez waging a futile battle in Mexico's last virgin cloud forest. The fires are so remote that the authorities could not even count all of them until last week.

into one large blaze that burns itself out, and no bulldozers and tractors for building fire breaks.

"We're in an environment that's unique to the world," said Mike Conrad, a supervisor from the U.S. Forest Service. "We don't want to lose any more of this than we have to."

An estimated 680 hectares (16,800 acres) have burned since the blazes began.

THE arrival of U.S. experts has not been without problems. The Mexican military officials were suspicious of the infrared heat detection system that would be mapping every square mile of the army's most sensitive area — the southern state of Chiapas, where Mexico has deployed tens of thousands of troops since the rebel Zapatista uprising in 1994.

After landing at a Chiapas airport last week, the Americans moved the plane to a more secure airport in a neighboring state for fear that drug traffickers might try to steal it.

Environmentalists report more than 230 fires are now raging across the country, 49 in the Chimalapas. Since January, Mexico has reported 10,000 blazes nationwide that have devoured an estimated 700,000 acres.

"This is the biggest ecological disaster of this century in Mexico," said Homero Aridjis, one of the nation's most prominent environmental activists. "The government can't control this number of fires."

There are nearly as many accusations over the outbreaks as there are fires. Unquestionably, it has been an unusually dry year across Latin America. While virtually every state in Mexico is suffering its worst fires in seven decades, environmentalists say the blazes are far worse in the normally humid jungles of Oaxaca and Chiapas, where fires like

these have not been seen in at least a century.

Government officials have laid the blame for most of the fires on peasants who use slash-and-burn techniques to clear their land for the planting season.

But the farmers and many environmentalists say the fires are the byproduct of years of government neglect of its poor and indigenous populations.

"They have been abandoned by the government," said Miguel Angel Garcia, an environmentalist. "That's why they're obligated to use these agricultural techniques in the year 2000."

The region flanking the west side of the Chimalapas has been the site of decades, if not centuries, of conflict.

Some villages are now accusing rival communities of setting fires to expropriate more of the jungle, or as revenge against neighbors. In one of the more sinister scenarios, many environmentalists believe developers may have set fires to help bolster their efforts to complete a trans-regional highway through the forest, a project long fought by environmentalists.

## Mexico City Lifts 4-Day Pollution Alert

Residents of Mexico City breathed a sigh of relief when the authorities lifted a four-day pollution alert after ozone levels declined to only one and a half times the acceptable limits. The Associated Press reported.

But even as the alert was suspended Saturday, smoke was seen rising from stubborn forest fires in the mountains surrounding the city of 8.5 million.

This week's alert — the longest since 1997 — was triggered by smoke from forest fires here and elsewhere, mixed with car and industrial emissions.

Under emergency measures, 40 percent of the city's 4.5 million vehicles are banned from the streets.

## Auto Club in Germany Assails Europe's Ferries

Reuters

BONN — Germany's automobile association ADAC contends it has found what it described as appalling safety deficiencies on many European ferries it inspected at random.

The ADAC report rated eight of 30 ships that were inspected from March to May as unsafe, and an additional 17 as no better than "satisfactory." Passenger safety was considered "good" on only five ships. The most serious problems were found on two cross-channel ferries between Britain and France and on ferries in the eastern Mediterranean.

ADAC maintained that hatches, bulkheads, doors and portholes on the loading decks were not closed properly, and trucks and buses were not properly secured.

## French Pilots Set to Strike as Cup Nears

Compiled by Our Staff From Dispatches

PARIS — France braced for chaos at its airports on Monday with the start of an Air France pilots' strike that was expected to ground up to 90 percent of flights at the end of a busy holiday weekend and amid early arrivals for the World Cup soccer tournament.

The main pilots' union, SNPL, has threatened to strike through June 14 if its demands over pay are not met, while three smaller unions have called for their work stoppage, which also starts Monday, to go through Saturday.

The strike is expected to wreak havoc at airports Monday as thousands return from a holiday weekend and as the June 10 kickoff of the World Cup approaches.

Air France, the official World Cup airline, has promised to make sure all the teams arrive on time for their matches. But the same will not be true for thousands of fans, or tourists, already scurrying this weekend to find other arrangements.

Angered at what is being perceived as a tarnishing of France's image when the eyes of the world are upon it, a leftist lawmaker, Georges Sarre, denounced the pilots as "the damned of the Earth."

Mr. Sarre, speaking Sunday on French television, said the pilots were "practicing blackmail on the company" ahead of the World Cup, a prestige event hosted by France which runs from June 10 to July 12.

The pilots' action is over man-

agement efforts to cut their salaries by 15 percent, bringing them in line with pay scales at rival airlines, in exchange for shares in the airline.

The labor unrest was expected to spread during the week to other sectors, notably in the transport, construction, health, defense, power and public service sectors.

Air France management has denounced the pilots' action saying that it "showed a desire to degrade the company's image" on the eve of the World Cup.

Jean-Cyril Spinetta, chairman of the carrier, said that although the airline made a net profit of 1.87 billion francs (\$312 million) in the year ended in March, it was still "convalescing" and had higher costs than most of its competitors. (AFP/AP)

## TRAVEL UPDATE

## Helsinki Art Museum Is Opened

HELSINKI (Reuters) — Finland's long-awaited Contemporary Art Museum, in a controversial avant-garde building in the heart of Helsinki, has been inaugurated.

The opening Friday of the steel-and-glass building, designed by an American architect, Steven Holl, at a cost of almost \$40 million, follows years of controversy over its appearance and purpose.

## Contract for Dardanelles Bridge

ISTANBUL (AFP) — A European consortium has won a contract to build the first bridge across the Dardanelles, the Anatolia press agency reported Sunday.

Turkey's Highway Department sent a letter of intent to the consortium formed by Dragados of Spain, Amec of Britain and Monbeto Thorste of Denmark for the project. The bridge will have a length of 9 kilometers (5.6 miles) and is expected to cost \$500 million.

Health authorities have ordered factory closings and limits on vehicle travel for two days in Santiago, because of excessive air pollution. (AFP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Andorra, Angola, Austria, Bahamas, Barbados, Belgium, Benin, Central African Republic, Denmark, European Union, France, Gabon, Germany, Greece, Hungary, Iceland, Ireland, Ivory Coast, Kenya, Liechtenstein, Luxembourg, Madagascar, Monaco, Mongolia, Netherlands, New Caledonia, New Zealand, Norway, Senegal, Spain, Sweden, Switzerland, Togo, Ukraine.

WEDNESDAY: Uganda.

THURSDAY: Ghana, Iran, South Korea.

FRIDAY: Bahamas, Bahrain, Denmark, Equatorial Guinea, Iran, Israel, Seychelles.

SATURDAY: Canada, South Korea, Malaysia.

SUNDAY: Malta, Ukraine.

J.P. Morgan, Bloomberg, Reuters

## Africans Seek Redress For German Genocide

By Donald G. McNeil Jr.  
New York Times Service

OKAHANDJA, Namibia — Asked where he got his traditional Herero dress hat, Alexander Tjikuzo, 63, answered, "My grandfather left it to me."

What is unusual about the old khaki hat with the round gold badge is that it is an imitation of those worn by the German soldiers who from 1904 to 1907 nearly wiped out the Herero tribe, which dominated what is now central Namibia. Locally, Mr. Tjikuzo is said to have one of the snappiest German uniforms the Herero wear on Red Flag Day and Heroes Day, when they visit the graves of their chiefs here.

It was in this sleepy farm town in 1904 that the Herero finally exploded. For 20 years, German settlers moving inland had been stealing land and cattle, raping women, lynching men with impunity and calling them "baboons" to their faces. When the Herero attacked, they killed all the men, but on the orders of their leader, Samuel Maherero, spared women, children, missionaries and the few English and Afrikaner farmers.

When word reached Kaiser Wilhelm II in Berlin, the counterattack was brutal and quickly expanded into genocide, which some later saw as an ominous portent of the Holocaust. In a bizarre twist, many racist theories adopted by Hitler were being formed at roughly the same time here by a visiting geneticist.

In this age in which national apologies are demanded, in which President Bill Clinton expressed regret for slavery on a trip to Africa and German leaders have gone down on their knees to Jews and Poles for World War II, the Herero are asking for their turn. Germany seems to be wavering on the edge of apologizing and even paying reparations, but the politics of modern Namibia — the former German colony of South-West Africa — complicate matters.

The historical facts are not disputed. Lieutenant General Lothar von Trotha, notorious for his brutality in German East Africa, was dispatched with 10,000 volunteers and a battle plan.

General von Trotha pushed the Herero guerrillas and their families north to Waterberg and then attacked from three sides, leaving one exit: the Omaheke Desert. When they fled into it, he poisoned the water holes, erected guard posts along a 250-kilometer line and bayoneted everyone who crawled out.

He then issued the Vernichtungsbefehl, or extermination order: "Within the German borders, every Herero, whether armed or unarmed, with or without cattle, will be shot. I shall not accept any more women or children. I shall drive them back to their people — otherwise I shall order shots to be fired at them."

The remaining Herero were rounded up and sent to labor camps, where they starved or died of overwork, typhus and smallpox.

By 1907 the order had been denounced and General von Trotha had been recalled — but the rebellion had been crushed. Before the war there were 80,000 Herero. In the 1911 census, 15,000 were found.

Few people outside Southern Africa or Germany have heard of the tribe unless they have read T. S. Pynchon's novel "Gravity's Rainbow" or seen travel books depicting their unusual clothes.

In Mr. Pynchon's 1973 novel, a psychedelic take on World War II during the rain of German rockets on London, a fictional Herero battalion called the Schwarzkommando runs rocket batteries in the occupied Netherlands. Historians say they are a figment of Mr. Pynchon's imagination. The tiny numbers of black Germans, most of them descendants of French African soldiers occupying the Rhineland after World War I, were sterilized under the Third Reich, not drafted.

The unusual clothes are another is-

sue. Alone in Africa, Herero women habitually wear hoop skirts. They adapted their high-waisted dresses and hats that jut out like cattle horns from wives of Victorian-era missionaries. On holidays they wear versions of the dress in red and black, the colors of Herero nationalism — and of the 19th-century German Empire. Their men wear the German volunteers' uniform.

German diplomats are always invited to Herero celebrations. "We are treated like VIPs and often asked to give the keynote speech," said one diplomat, who confessed that he is baffled by the practice.

The peculiar attraction between the Herero and Germans resembles the one in the Natal region of South Africa between the Zulu and British, two other peoples who fought a colonial war.

"It's the respect of a soldier for a soldier," explained Kuaima Rimaako, paramount chief of the Herero. "We never gave up our army, even during the German period." The chief is a leader in the quest for reparations.

But the links are much closer. Because many Herero women were forced into sexual slavery to survive after the rebellion, many Herero today have German ancestors, and German is widely spoken here.

Now the Herero are a minor tribe, greatly outnumbered by the northern Ovambo people, who were beyond German geographical reach in colonial days but led the fight against white South African rule, which ended victoriously in 1990. The governing party, the South-West Africa People's Organization, is dominated by Ovambo, while many Herero belong to the opposition, so the government does not back their quest.

Per capita, Namibia gets more German aid than any other country — \$350 million since 1990 — but almost every penny is spent in Ovambo areas.

Another Herero leader, Mburumba Kerina, says his people do not want cash, but "a mini-Marshall Plan" to help businesses start, and scholarships to German universities.

## John Wesley Jones, U.S. Envoy to Libya And Peru, Dies at 90

New York Times Service

NEW YORK — John Wesley Jones, 90, a retired Foreign Service officer, ambassador to Libya and Peru and a former deputy commander of the National War College, died May 20 at his home in Flat Rock, North Carolina.

Mr. Jones, a native of Sioux City, Iowa, joined the consular corps in 1929 after graduation from George Washington University. He rose to the rank of consul in Rome in 1937 and returned to Italy after World War II as first secretary of the embassy.

He was one of the last American diplomats to leave China during the Communist takeover when he was the political officer in charge of the embassy, then situated in Nanking.

He directed the State Department's Office of Western European Affairs in Washington from 1953 to 1957.

The year after that he was posted to Tripoli as ambassador, followed by his last foreign assignment, in Lima, from 1963 to 1969.

Martin Schrader, 73, Publisher NEW YORK (NYT) — Martin Schrader, 73, a former publisher with Hearst Magazines, died Thursday at Mount Sinai Hospital in New York of lung disease.

He joined House Beautiful, one of 16 magazines published by Hearst Magazines, in 1960 and became publisher in 1966. He also was the publisher at Town & Country, from 1969 to 1977, and at Harper's Bazaar. He retired in 1991.

## WEATHER

Forecast for Tuesday through Thursday, as provided by AccuWeather.

## Europe

City	High	Low	High	Low	High	Low
Algeria	20/25	12/15	21/26	13/16	22/27	14/17
Amsterdam	19/25	10/17	20/26	11/18	21/27	12/19
Brussels	18/24	9/16	19/25	10/17	20/26	11/18
London	17/23	8/15	18/24	9/16	19/25	10/17
Madrid	20/25	12/15	21/26	13/16	22/27	14/17
Moscow	15/20	5/10	16/21	6/11	17/22	7/12
Paris	18/23	9/16	19/24	10/17	20/25	11/18
Rome	21/26	13/16	22/27	14/17	23/28	15/18
Stockholm	14/19	4/9	15/20	5/10	16/21	6/11
Toronto	16/21	7/12	17/22	8/13	18/23	9/14
Warsaw	15/20	5/10	16/21	6/11	17/22	7/12
Zurich	18/23	9/16	19/24	10/17	20/25	11/18

## North America

City	High	Low	High	Low	High	Low
Albuquerque	20/25	12/15	21/26	13/16	22/27	14/17
Anchorage	15/20	5/10	16/21	6/11	17/22	7/12
Boston	18/23	9/16	19/24	10/17	20/25	11/18
Chicago	17/22	8/15	18/23	9/16	19/24	10/17
Denver	19/24	10/17	20/25	11/18	21/26	12/19
Houston	21/26	13/16	22/27	14/17	23/28	15/18
Los Angeles	22/27	14/17	23/28	15/18	24/29	16/19
London	17/22	8/15	18/23	9/16	19/24	10/17
Manila	24/29	16/19	25/30	17/20	26/31	18/21
Medan	25/30	17/20	26/31	18/21	27/32	19/22
Montreal	16/21	7/12	17/22	8/13	18/23	9/14
New York	18/23	9/16	19/24	10/17	20/25	11/18
San Francisco	19/24	10/17	20/25	11/18	21/26	12/19
Singapore	26/31	18/21	27/32	19/22	28/33	20/23
Tokyo	21/26	13/16	22/27	14/17	23/28	15/18
Washington	18/23	9/16	19/24	10/17	20/25	11/18

## Asia

City	High	Low	High	Low	High	Low
Algeria	20/25	12/15	21/26	13/16	22/27	14/17
Anchorage	15/20	5/10	16/21	6/11	17/22	7/12
Boston	18/23	9/16	19/24	10/17	20/25	11/18
Chicago	17/22	8/15	18/23	9/16	19/24	10/17
Denver	19/24	10/17	20/25	11/18	21/26	12/19
Houston	21/26	13/16	22/27	14/17	23/28	15/18
Los Angeles	22/27	14/17	23/28	15/18	24/29	16/19
London	17/22	8/15	18/23	9/16	19/24	10/17
Manila	24/29	16/19	25/30	17/20	26/31	18/21
Medan	25/30	17/20	26/31	18/21	27/32	19/22
Montreal	16/21	7/12	17/22	8/13	18/23	9/14
New York	18/23	9/16	19/24	10/17	20/25	11/18
San Francisco	19/24	10/17	20/25	11/18	21/26	12/19
Singapore	26/31	18/21	27/32	19/22	28/33	20/23
Tokyo	21/26	13/16	22/27	14/17	23/28	15/18
Washington	18/23	9/16	19/24	10/17	20/25	11/18

## Middle East

City	High	Low	High	Low	High	Low
Algeria	20/25	12/15	21/26	13/16	22/27	14/17
Anchorage	15/20	5/10	16/21	6/11	17/22	7/12
Boston	18/23	9/16	19/24	10/17	20/25	11/18
Chicago	17/22	8/15	18/23	9/16	19/24	10/17
Denver	19/24	10/17	20/25	11/18	21/26	12/19
Houston	21/26	13/16	22/27	14/17	23/28	15/18
Los Angeles	22/27	14/17	23/28	15/18	24/29	16/19
London	17/22	8/15	18/23	9/16	19/24	10/17
Manila	24/29	16/19	25/30	17/20	26/31	18/21
Medan	25/30	17/20	26/31	18/21	27/32	19/22
Montreal	16/21	7/12	17/22	8/13	18/23	9/14
New York	18/23	9/16	19/24	10/17	20/25	11/18
San Francisco	19/24	10/17	20/25	11/18	21/26	12/19
Singapore	26/31					



THE AMERICAS

# Bilingual Education Up for Vote

By Ethan Bronner  
New York Times Service

SANTA ANA, California — Bilingual education, once widely hailed as a humane and sound method of immigrant assimilation, has fallen into disfavor, disparaged as a bureaucratic boondoggle, even by many of the people it was primarily designed to serve: the nation's increasing Hispanic minority.

On Tuesday, California voters are expected to endorse Proposition 227, which will eliminate the hundreds of bilingual programs in a state that is home to nearly half of the pupils in the United States of limited English proficiency. That will set the stage for similar attacks on such programs nationwide.

If it passes, Proposition 227, which essentially limits help to non-native speakers to a year of intensive English instruction, will mark an extraordinary intervention by voters into classrooms to mandate teaching methods. It is a sign of the growing importance of education in the nation's political debate.

The shift in the fortunes of the nation's bilingual education system has been dramatic. It is the result of flagging support among its key constituents, Hispanics, a growing political resistance to federal education bureaucracies and the sense that, despite a plethora of studies,

there was no conclusive evidence that it worked.

Behind that erosion of support is a stubborn statistic: the high dropout rate of Hispanic youths.

According to the National Center for Educational Statistics, the school dropout rate in 1995 of Hispanics aged 18 to 24 who were born in the United States remained at 17.9 percent, but that of Hispanic immigrants was 46.2 percent. This compares with 12.2 percent of blacks and 8.6 percent of whites who drop out. Foreign-born blacks and whites had lower dropout rates than those who were born in the United States.

Since three-quarters of schoolchildren nationwide who speak limited English are Hispanic and since bilingual education is often made to stand for the whole question of educating foreign-language children, the failure of the schools to educate Hispanic youths is often discussed interchangeably with bilingual education as if they were the same thing.

While the initiative is the work of a white Republican, a Silicon Valley millionaire named Ronald Unz, it is backed, according to repeated opinion polls, by at least half of the state's Hispanic voters.

They include Virginia Martinez, a former bilingual education teacher here in Santa Ana, a town an hour south of Los Angeles with the

largest concentration of Hispanic immigrants and their offspring in the country, according to national census data.

Here, where the issues of immigrant absorption and bilingual education are particularly pronounced, Ms. Martinez tests for English competency at Taft Elementary School, which has done away with bilingual education for the last 13 years, favoring English immersion, the aim of Proposition 227.

"I kept seeing kids doing poorly in the upper grades after they had gone through bilingual education," she said. "There was no transition to English. I felt that bilingual education was holding them back."

In the school, Hispanic and Asian children learn in English from the first day, with the occasional translation help of teacher aides. High scores reflect clear success, although Taft serves a more middle-class and ethnically mixed population than many schools with bilingual programs.

At the same time, Pio Pico Elementary School, just a few miles away, is a reminder of what bilingual education was supposed to be. Built on a lot once overrun by gangs, now an oasis of learning and community involvement, Pio Pico serves a uniform population of low-income Mexican and Central American immigrants who believe



A California teacher instructing in English as a second language.

deeply in bilingual education. "With bilingual education, I am involved with my daughter's schooling," said Martha Leon, a housekeeper whose daughter, Lizeth, is in fourth grade.

"My daughter is learning English, but because of the Spanish, I feel the school is mine, part of me."

This issue is not confined to California. Aside from this state, 10 others mandate bilingual education, and most others permit it. Since 1968, when Congress first passed the Bilingual Education Act, the federal government has helped fund it. And while not one of those programs yet faces a sweeping initiative like that in California, all are under debate if not outright attack and curtailment.

In Chicago and Denver, school boards have recently limited bilingual classes to three years; in Arizona, the legislature has voted to limit funding for them to four years. In Albuquerque, New Mexico, parents are suing the school system, alleging that bilingual classes segregate their children, a charge that had been leveled at New York state by parents in Brooklyn three years ago. This followed a Board of Education report asserting that bilingual programs had failed to teach children as effectively as those in English-only classes.

Supporters of bilingual education contend that the programs have never been adequately supported or implemented.

# Worried Secret Service Pleads for Its Presidential Privilege

By John M. Broder  
and Stephen Labaton  
New York Times Service

WASHINGTON — Two demons haunt Lewis Merletti, director of the U.S. Secret Service.

One is the assassination of President John F. Kennedy, the Secret Service's most traumatic failure. The other is the Vietnam War, where Mr. Merletti served as a Green Beret and from which he returned home feeling abandoned by his countrymen and betrayed by the nation's political leaders.

"Friends say that both motivate Mr. Merletti, 49, who is waging an all-out battle to prevent the testimony of Secret Service agents and officers in the grand jury investigation of President Bill Clinton's relationship with a

former intern, Monica Lewinsky. A U.S. judge has compelled them to testify, and the Justice Department has not decided whether to appeal.

For Mr. Merletti, who keeps his green beret in a glass case in his office and Vietnam War rubbings of the names of several dead comrades on a shelf, this is a fight to the death. Outsiders, Mr. Merletti complains, are once again handcuffing professionals trying to do their jobs.

Although speaking publicly conflicts with the Secret Service's instincts and culture, Mr. Merletti and other officials are mounting an impassioned effort to preserve the agency's secrecy and the sanctity of the relationship between Secret Service agents and their primary client, the president.

In briefings this spring for the Justice Department and for Kenneth Starr, the independent counsel pursuing the Lewinsky matter, Mr. Merletti has shown photographs and videotapes of assassination attempts in the United States and overseas. He reveals protective methods that for years have been closely held agency secrets to press home the importance he attaches to the battle over a new "protective-function privilege."

He shows pictures of Secret Service agents disguised as priests, baseball umpires, foreign military officers and construction workers. He describes the technology used to shield the president from gunfire. He details how the White House is defended against terrorist attack from the ground or air.

None of the Secret Service's methods can succeed unless agents are allowed to be close to the president 24 hours a day, Mr. Merletti asserts. Allowing agents to testify, he says, will break the bond of trust between the president and his security agents. The inevitable result, he states with no trace of doubt, will be the death of a president.

To investigators and a federal district judge, this appears to be an exaggerated concern, and one that could lead to a cover-up of presidential misdeeds. But Mr. Merletti and his senior staff bristle at the suggestion that the Secret Service would attempt to cover up anyone's crimes. As sworn law enforcement officers, Secret Service officials declare, they will be the first to report any illegal behavior they witness.

Mr. Merletti, who has served on the protective details of Presidents Ronald Reagan, George Bush and Mr. Clinton, has told prosecutors and the court that the battle over privilege transcends any one president.

"I'm not a Clinton man. I'm not a Bush man. I'm not a Reagan man," Mr. Merletti asserts. "This is about the office of the presidency."

Indeed, Mr. Merletti has argued to associates, he would contest the subpoenas even if Mr. Clinton had waived the privilege that the Secret Service is claiming. "I would fight him if he waived it," Mr. Merletti has said. "I would go nose to nose with him on it."

This is not about case law, Mr. Merletti told Mr. Starr in a briefing this spring. "I'm talking about real blood, I'm

talking about real trauma, I'm talking about real integrity of our national security."

Mr. Merletti's plea did not sway Mr. Starr, who listened for 45 minutes and then responded curtly, "I've got a criminal case to pursue," according to officials who were present.

But the initially skeptical senior leadership of the Justice Department was converted by Mr. Merletti's presentation and has gone to U.S. court to back him up.

Retired and current agents say the slaying of Mr. Kennedy taught the Secret Service one lesson above all — the necessity of proximity to the president. The Secret Service says that if its agents had been allowed to ride on the bumper of the president's car, Mr. Kennedy might not have been killed.

## Away From Politics

A tornado wiped out Spencer, South Dakota, a small town in the southeast of the state, and local reports indicated that six people had been killed and 150 had been injured. (Reuters)

The drunken-driving arrest in Massachusetts of a member of Louise Woodward's defense team has thrown the pair case into another controversy. (AP)

The attorney, Elaine Whitfield Sharp, reportedly told the police that she no longer believed that the British nanny was innocent of killing an 8-month-old baby in her care. (WP)

A seaplane crashed into the channel waters off Juneau, Alaska, after colliding with a sightseeing helicopter. At least two people on board died. (AP)

Celebrities gathered for a gala in Las Vegas to honor Frank Sinatra, who helped transform this gambling capital into an entertainment mecca. (AP)

New York City's sidewalk food vendors, soon to be exiled from the financial district and large sections of midtown, now face being barred from 95 more blocks in Manhattan. (NYT)

## BOOKS

**'SWINGIN' THE DREAM:**  
Big Band Jazz and the Rebirth of American Culture

By Lewis A. Erenberg. 320 pages. \$28.  
University of Chicago.

Reviewed by Jonathan Yardley

LIKE so many other studies in that nascent academic discipline, or un-discipline, called "popular culture," this one overreaches itself, leaping from the narrow particular to the breathtakingly universal with little apparent regard for the validity of the exercise.

"Swingin' the Dream" is an intelligent, provocative study of the big band era, chiefly during its golden hours in the 1930s. Not merely does Lewis A. Erenberg give the music its full due, but he places it in a larger context and makes, for the most part, a plausible case for its importance. Students of American popular music have tended to belittle the big band music of the swing era as a "commercialized" transitional period between "pure" early jazz and "pure" bebop.

Though the two greatest orchestras of the time were led by blacks, Duke Ellington and Count Basie, in the racially charged atmosphere of jazz criticism it is assumed that the popularity of bands led by whites, notably Benny Goodman, Tommy Dorsey and Glenn Miller, was due to watered-down music made palatable for a mass white audience.

The truth, as Erenberg convincingly argues, is another matter.

Until the swing era, jazz had been sharply divided racially, with black pioneers (King Oliver, Jelly Roll Morton, Louis Armstrong) on one side and their white adulators (Bix Beiderbecke, Frank Trumbauer, Eddie Condon) on the other; the process of cross-fertilization took place at a remove. But the big bands, notably Goodman's, began to break down the barriers, not merely putting black and white musicians onstage and in the recording studio together, but accelerating their musical influence on one another.

The first regular black performer in a white unit, Teddy Wilson of the Benny Goodman Trio, called it "the first interracial organization" in the United States, and he may well have been right. "It was an asset, racial mixing," he said, because lovers of jazz "were just hungry for this sort of thing." The result was that white bands, because of their greater acceptability in the emerging mass market, were able to bring new attention and admiration to the music of black composers and arrangers.

Erenberg places heavy emphasis, as Teddy Wilson did, on the role of the audience. Its members, he says, were the parents and grandparents, literally and figuratively, of the audience that participated in the birth of rock 'n' roll.

"When they screamed at a concert or danced in the aisles to an exciting band,

they were exercising their right to respond to music in their own ways — not as parents, handleaders or swing critics told them they must behave. At the same time, swing musicians operated nationally, in more open, democratic spaces. Those spaces now included greater interaction between whites and blacks than ever before. As racial media, radio and records removed some of the visual definitions of race, allowing music played by blacks or whites to reach the senses in direct, unrestricted ways. The swing era thus witnessed the possibility for mass personal liberation and the democratization of cultural consciousness."

The swing audience "represented both the emotional loosening of American musical culture and its democratization." After the big bands, American culture was no longer the province of an intellectual or aristocratic elite that imported most of what it admired from Europe.

This is fine so far as it goes, but too often Erenberg cannot resist going too far. "The fascination with authentic jazz," he writes, "was part of the search for a cultural alternative to the dehumanization of society in the industrial world." It sounds as if Erenberg is reading post-1960s attitudes into a 1930s context. The best advice is to ignore most of Erenberg's generalizations and concentrate on his specifics, which are this book's real strength.

Washington Post Service

## BRIDGE

By Alan Truscott

THERE are some basic elements of defensive card play that players beyond the beginner stage use without thinking. If your partner leads a suit in which you hold A 7 3, you return the seven, not the three, if you are going to return the suit at all.

So if you sit behind a stranger and see him return the three, you know he is a beginner. That is almost certainly true, but there is a faint possibility that he is a world-class player with something devious in mind. The diagrammed deal was played in an international team tournament in Venice, Italy, last year, and the East

seat was occupied by Massimo Lanzarotti. He is a member of the Italian team that has dominated the European field in recent years, although it has not yet broken through to a world title.

North and South were using a form of Multi, with two diamonds showing a weak two-bid in one of the major suits. The two no-trump responses was an inquiry and three hearts showed a minimum heart hand. South settled in three no-trump, and West led the spade two. This showed three cards or five cards in the partnership style, and Lanzarotti as East thought matters over after winning with the ace.

He visualized the possibility that his partner had begun

with K x x x 2 and knew that his partner was likely to duck the next spade lead. That was not what he wanted, for he could see a road to a successful defense if his partner won the second trick. He therefore deliberately lied about his spade holding by returning the three.

This told his partner, Andrea Buratti, that he held a doubleton spade. A duck was now useless, since East would not be able to return the suit if he gained the lead. Buratti therefore took his king and shifted to a heart, the most sensible play.

Lanzarotti happily took two heart tricks and led a diamond, completing a remarkable defensive effort. South was now locked in

his hand and had to lose a club at the finish for down one.

NORTH (D)			
♠	Q 10 4		
♥	Q J 10 7 6 2		
♦	7		
♣	9 5 3		
WEST			
♠	K 5 2		
♥	8 5		
♦	J 8 4		
♣	J 8 7		
EAST			
♠	A 7 3		
♥	A Q 8 3		
♦	8 5		
♣	K 6 4 2		
SOUTH			
♠	J 9		
♥	4		
♦	A K Q 10 9 3 2		
♣	A Q 10		
Both sides were vulnerable. The bidding:			
North	East	South	West
2♦	Pass	2NT	Pass
3♦	Pass	3NT	Pass
Pass	Pass		
West led the spade two.			

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## ASIA/PACIFIC

## The 'Father of the Islamic Bomb'

He's No Dr. Strangelove, Pakistani Insists, but a Kind Person

By Molly Moore  
Washington Post Service

ISLAMABAD, Pakistan — The architect of Pakistan's nuclear program offered no apologies Sunday for spending two decades developing what he described as "a destructive weapons system."

The scientist, Abdul Qadeer Khan, revered as a hero in his homeland and sometimes referred to as "the father of the Islamic bomb," tried to portray himself as the antithesis of a "Dr. Strangelove," the demented bomb maker of the movie.

"I am one of the kindest persons in Pakistan," the 63-year-old scientist said. "I feed the birds, I feed ants in the morning. I feed monkeys that come down the mountain."

Mr. Khan, at his first news conference since he oversaw Pakistan's first detonation of nuclear devices last week, said the country planned no further tests "in the near future."

But he indicated that at least one device remained capped in a hole at the test site after officials decided to explode one rather than two devices in a second round of underground tests on Saturday.

U.S. analysts have said that nuclear devices are difficult to remove after they are cemented into their holes and that eventual detonation is virtually certain. "There were supposed to be two tests yesterday," Mr. Khan said, refusing to provide details other than to add, "It was decided that only one would be enough."

He insisted that Pakistan exploded five devices — all of which he said were "successful" — in its first round of testing on Thursday, despite skepticism from U.S. military and intelligence officials, who said they detected only a single, relatively weak seismic



Abdul Qadeer Khan speaking at his first news conference since Pakistan joined the nuclear club.

signal from the Pakistani test site. Pakistan said it exploded the same number of devices in the first test as India detonated in two rounds of testing May 11 and 13. Those were India's first underground nuclear explosions since one in 1974.

Mr. Khan explained the discrepancy in Pakistani claims and U.S. seismic readings by noting that if the bombs are "detonated simultaneously only one shock wave goes."

Analysts have said that it is extremely difficult to conduct five simultaneous blasts.

The Pakistani government has not

made public any information other than to announce the blasts.

Mr. Khan, a German-trained metallurgist, said the six blasts were fission detonations, as opposed to the more powerful fusion, or thermonuclear, variety.

Describing the first round of tests, he told the Pakistani newspaper *The News* that "One was a big bomb which had a yield of about 30-35 kilotons, which was twice as big as the one dropped on Hiroshima."

"The other four were small, tactical weapons of low yield," he said, adding, "Tipped on small missiles, they can be used in the battlefield against concentration of troops."

Mr. Khan said Pakistani officials "took 17 days" to prepare the bombs for the first tests, indicating that Pakistan began the test preparations as soon as India detonated its bombs on May 11. He said the Pakistani tests "gave us a sense of security" and relieved pressure on the Pakistani military. "They believe they are on equal footing with India."

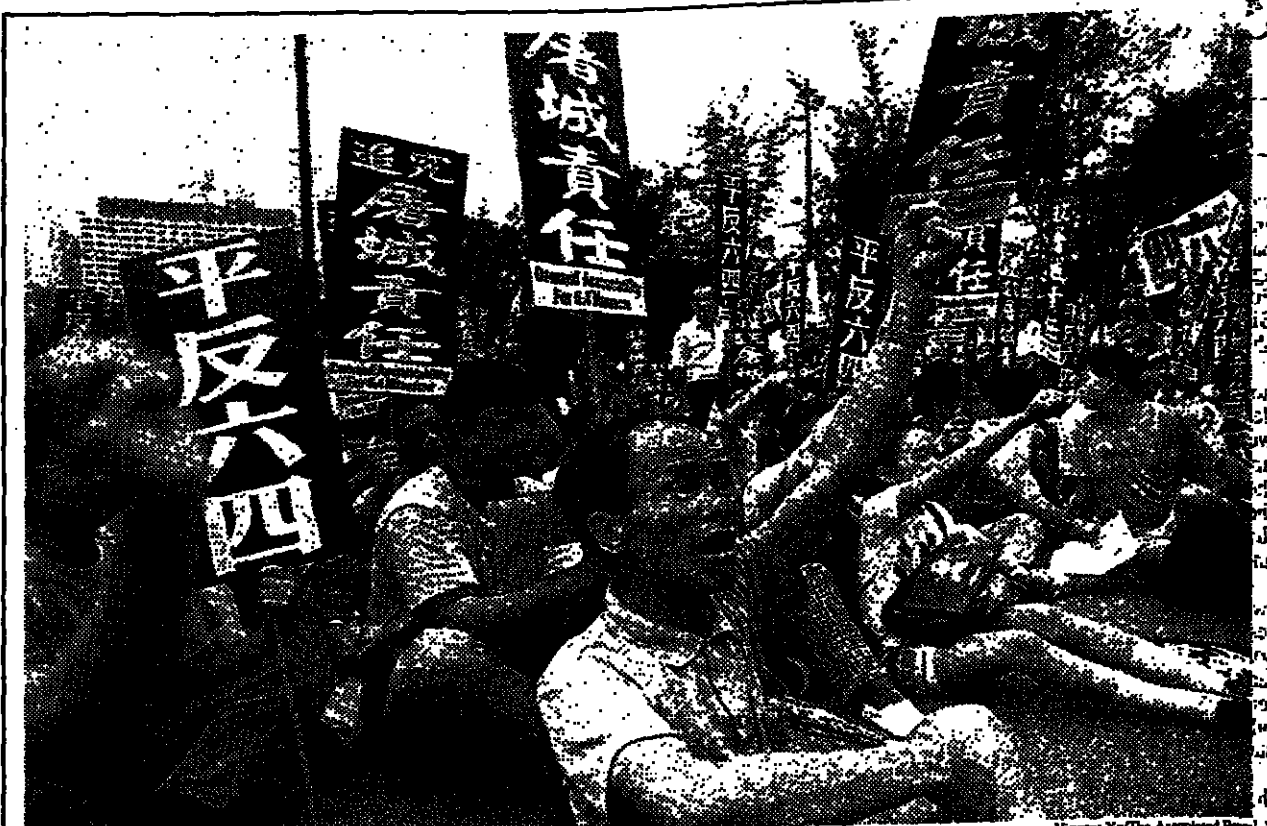
Mr. Khan has been a controversial figure for his role in not only developing Pakistan's nuclear program but also allegedly operating a worldwide network of spies who clandestinely bought and stole nuclear materials and technology from more advanced countries.

## Efficient and Reliable

Mr. Khan said that Pakistan's weapons were more efficient and reliable than those of India and could be delivered by superior missiles. Reuters reported.

Asked how Pakistani devices were superior to those tested by India, Mr. Khan said: "In efficiency, in reliability and the very fact that we used a very high-tech enriched uranium technology which very few countries in the world have."

He added that the Indians used



DAY OF REMEMBRANCE — More than 2,000 people marched Sunday in Hong Kong to mark the anniversary of the massacre nine years ago near Beijing's Tiananmen Square. Hundreds are known to have died when Chinese troops suppressed a student-led pro-democracy movement on June 4, 1989.

plutonium technology that was "very dangerous and combusting."

## Only Faint Echo Detected

William J. Broad of *The New York Times* reported:

The global network that tracks earthquakes and underground atomic blasts found only a faint echo from the nuclear test that Pakistan said it conducted Saturday, U.S. experts said.

That could mean the test was successful but small or that the test was a

failure and produced relatively few shock waves.

"It's a small event," said Terry Wallace, a seismologist at the University of Arizona. He said the blast had a preliminary magnitude of 4.3, equal to about 1,000 tons of high explosive. By contrast, the atomic bomb dropped on Hiroshima in 1945 had an explosive force of 15,000 tons.

The main Pakistani blast Thursday was monitored as having a magnitude of 4.8, equal to 8,000 to 15,000 tons. Such

bombs are considered relatively small by the standards of world arsenals

where the explosive power of warheads can exceed millions of tons.

Saturday's test was too small to show up on the government's main network for monitoring earthquakes around the world. "We've searched everything we have and we don't see anything," said Waverly Person, a spokesman at the National Earthquake Information Center, in Golden, Colorado. "We didn't record anything at all."

## PAKISTAN: Nuclear Weapons Serve as a Symbol of Security

Continued from Page 1

lamic ethos that defines Pakistan. And there are some indications that it was a reluctant call.

This is a country forged from the religious hatreds that ripped apart the British Raj. More than a million people died in Hindu-Muslim violence accompanying independence in 1947, a partition that saw many Muslims flee to Pakistan. Through three more wars and countless scares, India has remained the dominant force on the Subcontinent.

Mr. Sharif, a wealthy businessman from a family that was itself displaced from Kashmir in partition, is Pakistan's first elected political leader who is not from the rural feudal aristocracy. He has sought to modernize a backward and corrupt economy and is said to be particularly obsessed with the notion of doing this through building modern highways like one he had constructed between Islamabad and the country's real political hub, Lahore.

The prime minister is in the habit of holding a weekly traditional meeting in which subjects may voice appeals or raise issues with a ruler. At such a gathering in Lahore, his power base, a few days after the Indian tests, he said rhetorically that Pakistan faced a choice of "the motorway or the bomb."

And the assembled, carefully screened crowd shouted back "Motorway! Motorway!" But this was not the temper of the times. Mr. Sharif's go-ahead has won him, for the moment at least — widespread adulation, with crowds dancing in the streets, prayers of thanksgiving in mosques and celebratory gunfire in the air. A snap poll by the Pakistan Institute for Public Opinion in major cities found 97 percent support for the testing.

Mr. Ahmed, a lonely critic, traveled around the country in the days before Pakistan's tests trying to raise opposition.

"Total failure," he said Sunday, throwing up his hands. Successive rival governments in Pakistan have been fervently obsessed with nuclear weaponry since India conducted its first test in 1974, and Zulfikar Ali Bhutto, the prime minister at the time, vowed that Pakistan would "eat grass" until it matched the feat.

As reports spread over the years of Pakistani nuclear progress — with Chinese help and the de facto suspension of the U.S. embargo in 1979-88, when Pakistan was the funnel for aid to Afghan rebels fighting the Soviets, the military and political leadership came to view the nuclear threat as a deterrent to India's overwhelming military power.

This belief was strengthened by two

events. In 1984, the Indian Army conducted an exercise called "Operation Brass Tacks," which massed troops about 13 kilometers (8 miles) from the border. Pakistani officials warned this could mean war and intimated that nuclear weapons might be used.

Prime Minister Rajiv Gandhi said he had not been informed of the exercise and called the troops back. In the summer of 1990, as unrest mounted in Kashmir, the Indians, believing weapons were pouring in from Pakistan, again moved troops near the border. The CIA director, Robert Gates, flew out in an emergency mission to diffuse the crisis.

"The first instance was interpreted by Pakistani hawks as showing that nuclear weapons brought security," Mr. Ahmed said. "The second brought the belief that it was the fear of the use of nuclear weapons that brought foreign involve-

ment in preventing a conventional war. As a result, nuclear weapons have become nearly sacrosanct in Pakistani military thinking."

Thus, Mr. Sharif faced strong measures from the military. The top military officer, General Jehangir Karamat of the army, was believed to be initially inclined to the view that the situation could be used to wring new conventional military equipment from the Americans. But he soon agreed with the nine senior army corps commanders and other service chiefs to push for tests.

General Karamat told officers at the National Defense College on Friday that Pakistan had made a "bare minimum response" only to re-establish strategic balance in the region "after the Indian tests. It was not the number of nuclear weapons or their specific power that mattered, he said, "only the capability."

## INDIA: Trying to Ease Regional Tension

Continued from Page 1

"In terms of a country's security concerns, one doesn't say the last word at any point in time," he said in the interview for *Home TV*.

"When the prime minister said that we are going for a moratorium, that moratorium stands. I hope we don't get into that kind of a syndrome where they go for testing and then we say 'All right, let's also go for testing,'" he said.

India said Saturday that it stood by its self-declared moratorium on nuclear tests after conducting five underground blasts earlier in May. Pakistan said Saturday that it had completed a series of six tests in response to its arch rival's.

Mr. Khan, in the interview from Islamabad, said Pakistan itself did not plan any more tests for a "long, long time."

The overtures from Pakistan, however, did not dull the wave of criticism from around the world.

"Both India and Pakistan need to renounce further nuclear and missile testing immediately and take decisive steps to reverse this disastrous arms race," President Bill Clinton said in Washington.

Mr. Khan discounted India's stated willingness to discuss a moratorium between the two, which have fought three wars since independence from Britain in 1947.

"We can consider such things and go into depth," he said. "But there is very little reliance on India's words or actions because I have credible evidence that they are already in the process of preparing a new test site in the state of Orissa to blast somewhere in the first or second week of July."

Meanwhile, the Pakistani foreign secretary, Shahmshad Ahmed, said other nations had to adjust to a new reality, one in which both India and Pakistan have the capacity to launch nuclear weapons.

"Our decision to exercise the nuclear option was an expression of self-defense," Mr. Ahmed said.

Immediately after its nuclear blast Saturday, Pakistan offered talks with India to resolve their dispute over Kashmir, over which they went to war in 1948 and 1965, and urged world leaders to help in that effort. (Reuters, AP)

## Chauvinistic Chest-Pounding

The U.S. defense secretary, William Cohen, said Sunday that the nuclear standoff between India and Pakistan poses serious dangers, largely because of the "chauvinistic chest-pounding" of the antagonistic South Asian neighbors. The Associated Press reported from Washington.

Senator John McCain, Republican of Arizona, concurred that "this is the most serious situation since the Cuban missile crisis," citing the volatile combination of weapons proliferation and the possible spread of radical Islamic fundamentalism in the area.

But there was wide disparity on the Sunday news programs in the United States over whether the Clinton White House should bear any responsibility for decisions of India and Pakistan to threaten each other with nuclear tests.

Republicans accused the administration of "massive" foreign policy failures; administration officials said they are taking the lead in an international effort to keep the peace.

"It is a very dangerous situation," Mr. Cohen said on the CBS News program "Face the Nation," when two countries who have a history of warfare between them are "engaging in a chauvinistic chest-pounding about their nuclear manhood."

Senator Daniel Patrick Moynihan, Democrat of New York, on "Fox News Sunday," joined Mr. McCain in saying the world was "closer to nuclear war than we have been any time since the Cuban missile crisis" in 1962.

Somewhat less ominous was the outlook of Deputy Secretary of State Strobe Talbott, who told the NBC program "Meet the Press" that while the situation was "clearly very serious," it was "by no means a fatal blow."

He said it could provide an opportunity for the world community to focus on proliferation and security issues.

Led by Secretary of State Madeleine Albright, the foreign ministers of the five permanent members of the UN Security Council — the United States, Britain, France, Russia and China — are to meet in Geneva later this week to plot a course of sanctions and crisis-resolving measures for India and Pakistan.

"We are ready to assist in any way but you have to do it in concert," the U.S. delegate to the United Nations, Bill Richardson, said.

## BusinessWeek

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## THE INTERMARKET

Continues on Pages 11 & 12

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ASIA/PACIFIC

# South Asian Balance of Terror Is a Wobbly Affair

By John Ward Anderson  
Washington Post Service

ISLAMABAD, Pakistan — In the worst days of the Cold War, Americans and Russians learned the meaning of the balance of terror: Missiles facing off against each other on hair-trigger alert. Potential flight times of mere minutes. Billions of dollars squandered to stay ahead or to catch up.

With India and Pakistan's recent announcements — and more important, demonstrations — that they are nuclear weapons states, experts said the next step up the escalation ladder was deploying their weapons in the field. That could put them in a nuclear terror standoff worse than the one between the United States and the former Soviet Union.

Because of the short flight times between India and Pakistan, the budget restraints each has and the deeply personal animosity their citizens share, the leaders could face an enormous challenge trying to manage their arsenals and bilateral relations in an increasingly unstable South Asia, analysts say.

After a generation seemingly escaped the threat of nuclear holocaust, the almost forgotten issues of nuclear proliferation and war assumed new urgency when the two enemies staged explosions of 11 underground nuclear devices in the last three weeks. The dueling tests raised concerns about an out-of-control arms race that could bleed money from two of the world's poorest countries and destroy the global consensus to rein in nuclear weapons.

"Look at the flight times between India and Pakistan," said a Western diplomat in Islamabad, noting that nuclear-armed missiles could fly from potential launch sites near the India-Pakistan border to each country's capital in about three minutes.

"The United States used to sweat about the president having a half hour to decide to use the weapons or lose them," he said. "The U.S. had expensive space-based surveillance that could pick up the launches, but Pakistan and India have no warning systems. I don't know what their doctrine will be. Launch when the wind blows?"

Foreign Minister Gohar Ayub Khan of Pakistan said in an interview, "There is no reaction time here. We are eyeball to eyeball, and it can flare up at any time."

"Within this cauldron of uncertainty and tension, arms control advocates said that a decision not to deploy nuclear weapons would significantly lower the risk of a nuclear war that could start by accident, miscalculation or design. India and Pakistan have fought three wars since they were established by the partitioning of British India along religious

lines in 1947. Although analysts are pessimistic that India and Pakistan could stop short of deployment, Strobe Talbott, U.S. deputy secretary of state, last week urged them to try, lamenting that so far they "have not had a lot of experience in mutual deterrence of any kind."

Scott Sagan, a political science professor at Stanford University and co-director of the Center for International Security and Arms Control, said, "There could be something to inhibit their mutual desire to put forces in the field, sort of a nondeployment treaty. But it would have to be a comprehensive and deeply verifiable agreement. That's the only sort of positive conclusion that could come from all this."

Pakistan's ambassador to the United States, Riaz Khokhar, demonstrated the dilemma in a phone interview last week, saying that such an agreement would require huge confidence-building measures. But, he said, "There is no confidence. It's never existed in our part of the world. It's pretty hair-raising."

Adding to the mistrust are a series of

contradictions and denials that have come from various top-ranking people in both governments about whether they already have a stockpile of nuclear weapons and, if so, whether they are now trained at each other on missiles or perhaps more likely in this early phase, stored near planes that could deliver them.

The confusion seems to stem from a variety of forces at work simultaneously: deliberate ambiguity and deceit, a reluctance to show their hand to the enemy, loose language from people not familiar with the technical terminology of nuclear arms control and a legitimate clash between hawks trying to pressure their governments to deploy immediately and those who want a more gradual buildup.

Given their mutual suspicion and distrust, and the capability each has to build nuclear bombs and deliver them, it may not matter what they say, arms control experts said. The other side will probably assume the worst.

Even if India says it has not deployed its weapons, Foreign Minister Ayub Khan said in an interview, "How long does it take to put a bullet into a gun?"

Arms control experts said it was not that simple: For nuclear weapons to be considered fully deployed, a country needs trained personnel manning completely assembled weapons fulltime with the authority to fire them. That might leave room for some type of verifiable nondeployment treaty, if India and Pakistan could develop greater trust, they said.

If that proves impossible and the countries deploy, they will face many expensive decisions about how to ensure the safety of their arsenals, how to prevent unauthorized use of the weapons, how to guarantee their ability to survive a first strike and launch a counterattack and how to ensure that they have adequate and reliable systems to warn them when they are under attack and where it is coming from. Such warning systems can be as expensive as the missile systems itself, experts said.

But without such safeguards, "All it takes is one crazy lieutenant or air marshal in the chain of command for a calamity," said a South Asian security expert, Stephen Cohen of the University of Illinois.

## India Tries to Ease the Diplomatic Chill With China

By Kenneth J. Cooper  
and Steve Mufson  
Washington Post Service

NEW DELHI — What had been improving relations between India and China have deteriorated in the three weeks since New Delhi cited a perceived strategic threat from Beijing as the reason behind India's nuclear tests.

That explanation provoked an outpouring of condemnation from China, which had said little in public about India's nuclear program since its neighbor to the southwest first detonated a nuclear device in 1974.

Beijing has appeared upset at having been used as a pretext and accused of militaristic moves against India in provocative statements that Defense Minister George Fernandes made in the weeks before the underground nuclear tests May 11 and May 13.

In the face of Beijing's strong reaction, India has dropped any specific reference to China as a reason for conducting the tests and for declaring the nation of 950 million a nuclear power, like its larger neighbor. The coalition government of Prime Minister Atal Bihari Vajpayee has instead turned to restating India's desire for good relations with China.

Last week, after Pakistan conducted its first nuclear tests, Mr. Vajpayee's government cited those explosions as

justification for India's tests. China specialists here and in the United States described the initial explanation as a major diplomatic blunder by Mr. Vajpayee's government. Two American specialists suggested that declaring China a threat could strengthen Chinese nationalists who want Beijing to adopt a stronger military posture.

If relations are to return to their prior warmth, China has signaled that India must demonstrate that it is its intention, possibly beginning next month when a bilateral panel on their border disputes is to meet in New Delhi.

"The ball is in India's court," said Zhao Jingmin, a spokesman at the Chinese Embassy in New Delhi. "They have engineered this sort of worsening of the relationship. So ask them: 'Why?'"

Until a brief border war in 1962, the modern nations of India and China enjoyed generally friendly relations. But for India's leaders, the Chinese invasion and occupation of what had been Indian territory after that war has been seen as an embittering betrayal.

India's defeat in the war led its leaders to direct a peaceful nuclear program to begin weapons research and Mr. Vajpayee's Hindu nationalist Bharatiya Janata Party to adopt the development of nuclear weaponry as one of its political goals.

After China's first nuclear test in 1964, Mr. Vajpayee said in Parliament that "an

atomic bomb, nothing else" would be a sufficient response even though China had almost immediately announced a policy of not using nuclear weapons first.

Diplomatic relations between India and China were severed after the war and not restored until 1976. In 1988, a decade of gradually improving relations began when Prime Minister Rajiv Gandhi visited Beijing, leading to the creation of a bilateral group to discuss border disputes. Though still unresolved, those disputes had faded as a major issue in setting the tone for diplomatic relations.

In a letter sent to President Bill Clinton this month and first published in The New York Times, Mr. Vajpayee said that the nuclear tests had been conducted because China was the aggressor in the 1962 war and "an atmosphere of distrust persists mainly due to the unresolved border problem."

That statement in an official communication angered Beijing, which had carefully criticized only Mr. Fernandes, not India's government, for making similar charges. Mr. Fernandes is not a member of Mr. Vajpayee's party and has such a reputation for making outlandish statements that India's two leading newsmagazines described him as "George in the China shop."

"It was completely idiotic," Giti Deshingkar, director of the Institute of Chinese Studies in New Delhi, said of



Foreign Minister Gohar Ayub Khan of Pakistan confirming two more nuclear tests by his country.

BRIEFLY

### Nuclear Race Put On Summit Agenda

WASHINGTON — The focus of the agenda for the Chinese-U.S. summit meeting next month in Beijing has been shifting to deal with the nuclear arms race between India and Pakistan, according to senior Clinton administration officials.

The national security adviser, Samuel Berger, was leaving Sunday for Beijing to discuss with Chinese officials the issues that will be the focus of talks between President Bill Clinton and President Jiang Zemin.

"We have proliferation concerns for South Asia," an administration official involved with preparations for the summit meeting said. "Clearly that will take a more prominent role than it would have." (Reuters)

### 18 Retired Generals Ask Habibie to Quit

JAKARTA — A group of retired generals called Sunday for the country's new leader, B.J. Habibie, to step aside and be replaced by a caretaker president.

The Jakarta Post quoted the 18 generals as saying that a special parliamentary session should be called no later than July to revoke Mr. Habibie's mandate.

Meanwhile, in Surabaya, hundreds of thousands of Muslims gathered in front of the province's military headquarters. Some carried posters reading, "Reform must continue" and "Reform is not just changing the power-holders." The police said the event, described as a prayer ceremony, went peacefully. (Reuters)

### For the Record

Ma Ying-jeou of the Kuomintang, a former justice minister, is leading all other candidates for mayor of Taipei, two polls indicated Sunday, a day after he joined the race. (Reuters)

Government troops and Tamil Tiger rebels fought pitched battles in Sri Lanka's northern Wanni region, where the military is trying to capture a key highway, military officials said Sunday. (Reuters)

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## INTERNATIONAL

## How Far Will NATO Push Itself?

## 44-Nation Meeting in Luxembourg Highlights Problem of Scale

By William Drozdiak  
Washington Post Service

LUXEMBOURG — The cavalcade of speeches here by the foreign ministers of 44 countries from three continents started early in the morning. By afternoon, as many diplomats checked their watches and seemed to fret about their next meal or a plane to take them home, the homilies about peace and democracy were still going strong.

For a year, the Euro-Atlantic Partnership Council has merged the 16 NATO members and 28 aspirant nations into an amorphous bureaucratic behemoth that now strides the world stage under the guise of sustaining security cooperation from Vancouver to Vladivostok.

As the North Atlantic Treaty Organization prepares to expand toward Russia's doorstep by incorporating Poland, Hungary and the Czech Republic as it celebrates its 50th anniversary next year, the world's most successful military alliance is pondering how far it can safely expand its political agenda and territorial domain without diluting its effectiveness and sense of purpose.

"It's true that such large meetings can become a little unwieldy," said a senior alliance diplomat. "Some people fear there is a risk of too much talk and inertia with so many different countries getting involved in NATO-related activities. But we feel it is a price worth paying for greater political legitimacy and a new rationale in the post-Cold War era."

With the demise of the Soviet Union, NATO has been pushed into Balkan peacekeeping chores and other missions that extend well beyond its boundaries. The alliance now discusses terrorism and nuclear proliferation with Russia, border monitoring tasks with Albania and Macedonia, and next week will set up a disaster-relief center at its headquarters to help countries in Eastern

Europe and Central Asia cope with death and devastation from natural or technological catastrophes.

As NATO's activities have broadened in scope, so has its military and political involvement with new democracies beyond the Mediterranean and even the Caspian Sea. At least 38 high-ranking military officers working at NATO headquarters in Brussels come from "partner states" outside the alliance.

During the U.S. Senate debate on NATO expansion, some opponents, led by John Warner, Republican of Virginia, failed to impose a three-year membership freeze after the Poles, Czechs and Hungarians join the alliance. While a second wave of expansion is not likely soon, Romania and Slovenia, as well as the Baltic states — Lithuania, Estonia and Latvia — are clamoring for early membership. They are not alone.

Bulgaria, Slovakia and Macedonia also crave the security assurances associated with membership. Caspian Sea states such as Azerbaijan and Kazakhstan, where U.S. oil companies are staking huge investments in future energy supplies, are looking for protection. Even Central Asian states, such as Tajikistan and Uzbekistan, are lining up for long-term consideration.

For now, all of these prospective members have been folded into the Euro-Atlantic Partnership Council, established a year ago at Sintra, Portugal. At its meeting Friday, the ministers toasted joint enterprises such as the NATO-led peacekeeping force in Bosnia-Herzegovina that drew soldiers from 30 countries, regional security consultations in the Caucasus and scientific exchanges on how to convert defense industries for civilian purposes.

"NATO has clearly reaffirmed its open door," said the U.S. secretary of state, Madeleine Albright, acknowledging a top priority of many partners to gain full membership. "It has offered

not a promise but a process to help nations understand what they must do to make membership a possibility."

Mrs. Albright said the true measure of the partnership council would lie "not only in its roster and its rationale, but in its resolve to meet real-world challenges to our security." She has emphasized that NATO and its friends should cement a strategic bond against new dangers, particularly the spread of weapons of mass destruction. But the suggestion that NATO, with its U.S.-driven debates and integrated military command structure, will relentlessly expand its agenda and geography frightens some analysts, even those sympathetic to embracing new democracies in Central Europe.

"Just where do we want to draw the line on NATO membership? With Indonesia?" Henry Kissinger, the former U.S. secretary of state, asked at a conference on NATO's geopolitical destiny. He added: "A political and military alliance such as NATO can only survive when it has clearly defined boundaries and missions."

Besides the dispute over its membership roster and sundry new security tasks, some officials worry about the immense burdens posed by bureaucratic and infrastructure needs of so many countries and their divergent priorities. Even scheduling poses a serious problem: The NATO secretary-general, Javier Solana Madariaga, estimates that the number of meetings at NATO headquarters has tripled in the last two years.

"Every wife in the harem wants to have her night of pleasure, and the alliance faces a problem in being overwhelmed by pressing demands from so many countries," a senior NATO official said. "On the other hand, the absence of a common denominator makes it easier to define certain issues on a regional basis, such as the Balkans or the Caucasus, that will provide a clear division of labor."

## BRIEFLY

## Former President of Zimbabwe Faces Trial for Rape and Assault

HARARE, Zimbabwe — Canaan Banana, a former president of Zimbabwe, is to be tried Monday on 11 charges of sodomy, attempted sodomy and indecent assault.

The cases against Mr. Banana, who served as a largely ceremonial president in the 1980s, were compiled by the state after complaints by one of his former presidential guards.

He was first charged in July but was not asked to plead by the lower magistrate court that referred his trial to the high court. Mr. Banana, 62, appealed to the Supreme Court against his trial, arguing that pretrial publicity had prejudiced his right to a fair hearing. But Chief Justice Anthony Gubbay dismissed the appeal in a ruling in March.

Until his indictment last July, Mr. Banana had been under police investigation for months after allegations that he had raped and forced one of his former aides into a homosexual relationship during his presidency in the 1980s. The former aide, Jesta Dube, 36, was sentenced to 10 years in jail last year for the 1995 fatal shooting of a fellow policeman who goaded him by calling him "Banana's wife."



Jamil Mahuad, the mayor of Quito, Ecuador, waving to supporters during a presidential election rally.

## Conservative Wins Vote in Iran

TEHRAN — Ali Akbar Nateq-Nouri, the conservative speaker of the Iranian Parliament, easily won re-election Sunday in an annual vote.

Mr. Nateq-Nouri, 54, who was defeated by the moderate cleric Mohammed Khatami in a presidential election last year, got the votes of 165 of the 258 deputies present.

His challenger, Majid Ansari, parliamentary leader of the coalition of moderates close to President Khatami, received just 84 votes, confirming the firm grip of the conservatives on Parliament.

## Polls in Ecuador Predict Runoff

QUITO, Ecuador — Opinion polls indicated that Jamil Mahuad and Alvaro Noboa would meet in a July presidential runoff as neither is expected to get 50 percent of the vote in a general election Sunday.

One poll indicated that Mr. Mahuad, the mayor of Quito, would get less than 40 percent of the vote, while Mr. Noboa, a businessman, would win at least 30 percent.

Mr. Mahuad of the centrist Popular Democrat Party has

admitted he had no chance of achieving 50 percent. Another poll indicated that he had 36 percent support, compared with 23 percent for Mr. Noboa, who is the candidate of the populist Roldosista Party.

## Disabled Man Conquers Everest

KATMANDU — The world's first disabled climber to scale Mount Everest said Sunday that he was relieved and overwhelmed when he stood atop the world's highest peak. Tom Whitaker, 49, said he felt an "overwhelming sense of the climb, I felt huge relief that there was no more mountain in front of me." Mr. Whitaker, a British-born "outdoor pursuits" instructor who lives in Arizona, reached the 29,028-foot (8,848-meter) summit on May 27, two days ahead of the 45th anniversary of the first ascent by Sir Edmund Hillary and Tenzing Norgay. In 1989 and 1993, he attempted to climb Everest but failed because of bad weather.

Whitaker, fitted with an artificial leg, first tried to climb Everest on May 20, but turned back because of a pulmonary infection.

## Sheikh Assails U.S. Policies

## Emirates Leader Decries 'Unjust' Stance in Mideast

By Douglas Jehl  
New York Times Service

ABU DHABI — In the wealthy lands that border the Gulf, dollars speak loudly, as they did with an announcement a few weeks ago that the United Arab Emirates would buy 80 American-made F-16 fighters in a \$6 billion deal.

In Washington, the selection of Lockheed Martin Corp.'s F-16 was portrayed as an enormous boon that would cement military and economic ties between strategic partners. But words have currency, too, and to spend an hour with the octogenarian who has presided over the transformation of the United Arab Emirates from a parched, poor country to one rich enough to acquire so much military hardware is to hear a more complicated tale.

"It would have sincerely been our wish to see American policies that are far more strict on the side of justice," Zayed ibn Sultan al-Nahayan, ruler of Abu Dhabi and president of the United Arab Emirates, said in a rare, 75-minute interview with a Western journalist, in which the sheikh's professions of affection for the United States were wrapped in expressions of deep misgiving about its Middle East policy.

If the United States does not succeed soon in breaking the deadlock between the Israelis and the Palestinians, Sheikh Zayed said, "It would be like unleashing a wild beast into the world."

In a year in which Arab public opinion has been inflamed by the Israeli-Palestinian stalemate and U.S. policy toward Iraq, Sheikh Zayed is hardly the only Arab leader who is feeling bitter. But he is old enough, at about 85 (there is no record of exactly when he was born), to have become unusually plainspoken, and his complaints reveal the depth of frustration felt by Arab leaders whom Washington counts among its closest allies.

"As close friends of the United States, we would not have wished for America to be like this," Sheikh Zayed said. His country was an important ally of the United States during the Gulf War, but Sheikh Zayed made clear that he believes Washington's approach in the region has since become fundamentally misguided.

Sheikh Zayed still possesses a firm handshake and sharp mind, and is respected well beyond his country of 2.4 million people.

He was among the first Arab leaders to suggest that the time has come to end economic sanctions against Iraq. His country has recently taken a leading role in sending food and other supplies to ease suffering among Iraqis.

He has been blunt in suggesting that American mediation efforts have leaned too heavily toward Israel, even given the recent tensions between American and Israeli officials.

In the interview, held recently at his beachfront palace, Sheikh Zayed said he believed that the recent American military buildup in the Gulf was, in part, intended to put pressure on the Palestinians to "be softer in seeking to redress the injustice" against them.

He accused the United States of having failed to act as a neutral mediator, so that "in all its initiatives and policies, whatever the Palestinians say and accept is discarded; whatever the Israelis want is imposed."

And while the United States has made clear its plan to maintain pressure on Iraq as long as Saddam Hussein remains in power, Sheikh Zayed strongly suggested that it was time to welcome the Iraqi leader back to the Arab fold on the grounds that he has suffered enough for the 1990 invasion of Kuwait.

"He was unjust, and because he has committed this great injustice, he was faced with a serious and severe retribution to punish him for the injustice that he has committed," Sheikh Zayed said. "We believe that the time has come to say enough is enough, because when we look at him what do we see?"

"We do not see a forceful country that stands to threaten others. We see a sick and tired and hungry and naked country that stands there in order to be helped."

"How much longer can you go on giving retribution to a country that is tired, that is sick — how long can you go on with it?"

In part because of such views, some analysts had expressed doubt that the Emirates would choose to buy American in the fighter-jet deal. But Sheikh Zayed gave no indication that he saw any contradiction between his criticism of U.S. policy and the weapons deal.

## Socialists Leave Japan Coalition

By Nicholas D. Kristof  
New York Times Service

TOKYO — Japan's four-year-old governing coalition fractured over the weekend as the Social Democratic Party formally announced that it would quit and strike out on its own.

It is a measure of how far the Social Democrats, or Socialists, have fallen in popularity that their departure will scarcely matter. The Liberal Democratic Party, which has dominated Japanese politics since the 1950s, will continue to govern Japan, with no need for new elections or a cabinet reshuffle.

The collapse of the coalition Saturday had been expected and was not seen as causing any particular instability. The Liberal Democrats have a slight majority in the House of Representatives, the more important chamber of Parliament, and therefore believe they do not need the coalition to maintain power.

In addition, the Social Democratic leader, Takako Doi, said that her party would support the government of Prime Minister Ryutaro Hashimoto in a no-confidence motion that the opposition parties are planning.

Miss Doi said that her party could not vote to condemn government policies that it had helped to formulate. "We can hardly say we

are not responsible" for current problems, she said.

The coalition, formed in June 1994, has always been an improbable blend, a triumph of ambition over principle. It united the Liberal Democrats, who despite their name are conservatives, with the Social Democrats, who were then known as the Socialist Party.

Ironically, nothing so undermined the Social Democrats as proximity to power. For decades they had formed the main opposition party in Japan, and there was occasional talk that they might even be elected to form a government on their own.

In contrast, they are now withdrawing from power weakened and almost irrelevant, and it is unclear how much longer the party will survive. The role of the mainstream liberal opposition has been taken over by another group, the Democratic Party.

In retrospect, the Social Democrats peaked at precisely the moment that seemed their finest hour: the ascension of Tomichi Murayama, as head of a government coalition for the political left to place a socialist at the top of the world's second-largest economy, but the experience with Mr. Murayama profoundly soured the Japanese electorate on his party. The problem was not that Mr. Murayama was perceived as a hard-line leftist, but that voters saw him as little more than an opportunist.

The governing coalition also includes an even tinier party, the New Party Sakigake, which has also said that it plans to withdraw from the coalition. Sakigake's departure would be even less noticed than that of the Social Democrats.



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## City of London

## LONDON

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## DNA Testing

## Helps Police

## In Germany

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EUROPE

# City of London, an IRA Target, Starts to Relax

By Tom Buerkle  
International Herald Tribune

LONDON — At the so-called ring of steel, a network of security checkpoints installed after the Irish Republican Army detonated two truck bombs in the early 1990s, the police continue to monitor every vehicle entering the City of London financial district.

But in the City's boardrooms and bars, there is a sense of relief after the vote last weekend in favor of the peace agreement in Northern Ireland. Even if security remains visibly tight, the prospect of a permanent end to the threat of IRA terrorism is lifting spirits in an area that has been a prime target of the bombers.

"If that threat goes, there will be a sigh of relief in the City," said Judith Mayhew, director of policy at the Corporation of London, the agency that promotes the City financial district.

"I would have thought the threat in mainland Britain would be drastically reduced," said William Gutteridge, director of the Research Institute for the Study of Conflict and Terrorism.

Such a turn of events would certainly be welcome here. Since the IRA extended its terror campaign from North-

ern Ireland to the British mainland in 1972, terrorists have killed 121 people in Britain, wounded more than 1,000 and caused billions of dollars of damage.

The economic damage has been particularly acute in recent years as the IRA switched its emphasis from overtly political targets, like the 1984 Brighton bomb attack on then-Prime Minister Margaret Thatcher that killed five people, to financial targets.

In April 1992, an IRA bomb in the heart of the City of London destroyed the Baltic exchange and heavily damaged several office towers, killing two people and causing £350 million (\$570 million) in damage. A year later, a truck bomb in nearby Bishopsgate killed one person and caused £650 million in damage.

"What happens in Northern Ireland affects us minutely in Manchester," said Pat Kearney, a city councillor who is overseeing reconstruction of the northern city's central business district from the devastation of an IRA bomb in 1996. Fireworks displays routinely spark calls from residents fearful of a renewed attack, he said. If the peace process stays on track, "the nerves of the people in Manchester will be calmed," Mr. Kearney said.

So far, the signs are promising. There has not been a terrorist attack on the mainland since the IRA renewed its cease-fire in July 1997. Pool Reinsurance Co., a government-backed company set up in 1993 to provide businesses with coverage against terrorist attack, slashed insurance premiums by 20 percent to 40 percent this year and will consider further cuts next year, said the company's chief executive, Leslie Lucas.

While the police presence remains strong in the City of London, the mood is "very much more relaxed," Mr. Lucas said. "There doesn't seem to be any real terrorist threat."

To be sure, no one expects the security measures built up over years of terrorist threats to be dismantled soon. The Irish threat could actually increase in coming months if splinter terrorist groups believe this is their last chance to disrupt the peace process, said Jonathan Eyal, director of the Royal United Services Institute.

Like other major cities, London also remains vulnerable to any number of threats, both homegrown and foreign. Two weeks ago, London policemen arrested nine people for alleged connections with Algerian terrorists, and ear-

lier this year the police arrested a man for planting a series of small bombs at banks and supermarkets in an apparent extortion bid.

"Any apparent slackening of security alertness might encourage other terrorist groups to use London as theater," Mr. Gutteridge said.

And in one of the ironies of the war on terrorism, the ring of steel that was erected for security reasons has proved so successful at cutting traffic into the City of London that authorities are considering extending the measure in an effort to reduce congestion and pollution.

**10 Police Hurt in Ulster Riot**

At least 10 policemen were injured Saturday when rioting erupted in the town of Portadown, a major flash point in Northern Ireland, police said, according to Reuters.

At least three civilians were also injured in the rioting, the first clash on the streets of the British province since April's historic peace accord was overwhelmingly backed by voters May 22.

A march by the Protestant Orange Order celebrating their links with Britain had passed off peacefully earlier in the day.

## Sinn Fein Snubs Party With Prince

Reuters

LONDON — Irish republican leaders on Sunday rejected an invitation to a Northern Ireland garden party with Prince Charles, whose great uncle, Lord Mountbatten, was killed by the IRA.

Gerry Adams and Martin McGuinness, leaders of the Irish Republican Army's political wing, Sinn Fein, declined because the heir to the throne is the commander-in-chief of Britain's parachute regiment.

The regiment has always been reviled by Irish republicans for its involvement in the 1972 "Bloody Sunday," when British troops killed 14 Roman Catholic protesters in Londonderry.

The invitation for Wednesday's party was extended by Britain's Northern Ireland secretary, Mo Mowlam, who had said they might well refuse.

Mr. Adams and Mr. McGuinness have never taken up their seats in the British House of Commons because they refuse to swear allegiance to the crown.

## BRIEFLY

### 6 Killed in Kosovo, Ethnic Albanians Say

PRISTINA, Yugoslavia — Six more people have been killed and another 11, including six children, have been wounded in heavy fighting over the last three days in a part of Kosovo sealed off by Serbian police, ethnic Albanian sources said Sunday.

The latest word on casualties, delayed by the police blockade, raises the death toll to about 20 this past week in fighting between government forces and independence-seeking militants.

The Kosovo Information Center, which is close to the ethnic Albanian political leadership, said the new casualty report from the Decani area in western Kosovo was delayed because police sealed the area and launched an offensive against the clandestine Kosovo Liberation Army. (AP)

### Kohl Allies Question 'Red Scare' Strategy

BONN — Some members of Chancellor Helmut Kohl's conservative coalition are growing uneasy with his efforts to link his opposition with former Communists, saying the "red scare" campaign is misguided.

"He who thinks that we can very simply win elections with this campaign is off-target," a key state lawmaker from Mr. Kohl's Christian Democratic Union, Lorenz Caffier, said Sunday.

Mr. Kohl has blasted his rivals, the Social Democrats, for joining forces with former Communists to stay in power in the eastern state of Saxony-Anhalt. He says the Social Democrats would do so nationally if they prevail in national elections in September. (AP)

### Spain Politician Quits Over ETA 'Abduction'

MADRID — A Spanish town councillor who says he was kidnapped by the Basque separatist group ETA resigned Sunday from the governing Popular Party but insisted he had not faked the abduction.

Authorities have said the story that he was abducted by members of the group in southern Spain, drugged and taken to the Basque country, where he escaped from his captors.

But Mr. Rubia, 26, insisted he had told the truth. He said he had resigned from the center-right party after party officials made clear they would expel him if his story had been made up. (Reuters)

## Big Turnout in Montenegro

### Parliamentary Elections Could Again Split Yugoslavia

The Associated Press

PODGORICA, Yugoslavia — Montenegrins turned out in large numbers Sunday for parliamentary elections that could result in the final rupture of Yugoslavia.

The vote in the smaller of the country's two remaining republics pits supporters of President Slobodan Milosevic of Yugoslavia against his opponents. President Milo Djukanovic of Montenegro has vowed to try to unseat the Yugoslav leader if his coalition "For a Better Life" wins the elections for the republic's Parliament.

Monti Bulatovic, Mr. Djukanovic's former friend but now his foe, in turn vows to topple the Montenegrin president if his party succeeds.

First results were expected Monday.

Mr. Djukanovic and Mr. Bulatovic, who rose together under Mr. Milosevic's patronage in the late 1980s, are still neighbors and voted two hours apart at a school in central Podgorica.

Mr. Bulatovic, 42, made it clear that his camp — and Mr. Milosevic — are unlikely to accept a victory by Mr. Djukanovic. Polls predicted a narrow victory for the Montenegrin president among the 423,000 voters.

"We are the strongest party in Montenegro, and I have no doubt that we will win — if everything is legal," Mr. Bulatovic said.

Politika, the most strongly pro-Milosevic daily newspaper, said in an editorial Saturday

that monitors from the 54-nation Organization for Security and Cooperation in Europe were not welcome if they had come only to confirm a result rigged in advance.

Politika's publishers in Belgrade said that editions containing the editorial had been confiscated by Montenegrin police.

Mr. Djukanovic warned that the police — considered loyal to him — were ready to protect state order if necessary.

Warmly cheered and applauded by crowds waiting to vote Sunday, Mr. Djukanovic expressed hope that "all parties which are taking part in the elections have sufficient wisdom to recognize the results, whatever they are."

"I have no doubt that the people of Montenegro will vote for themselves and democracy will triumph," added the president, who has received strong U.S. and European support for his reforms and for including minorities such as ethnic Albanians in his government.

The tension between the Djukanovic and Bulatovic camps could lead to post-election violence in this rugged, mountainous land, where most of the 630,000 residents keep arms at home and traditionally are divided into strong, rival clans.

It is also possible that Mr. Milosevic will decide on federal intervention from his capital, Belgrade, saying that he must stop the final rupture of the Yugoslav federation.



President Milo Djukanovic of Montenegro being hugged by an admirer as he went to vote Sunday.

## DNA Testing Helps Police In Germany

The Associated Press

FRANKFURT — Using genetic evidence to hunt for the killer of an 11-year-old girl, the police here say they have netted a confession following voluntary DNA testing of 16,400 local men — the largest such genetic testing ever carried out in Europe.

A 30-year-old mechanic previously convicted of rape was arrested Friday in northwestern Germany after his DNA matched evidence found at the scene of the rape, snatching and strangling of Christina Nysch. He has confessed to the crimes, the police said Saturday.

The girl disappeared March 16 on her way home from a swimming pool, and her body was found five days later in woods near her home in Struening, a village of 3,500 people near the Dutch border.

The suspect, from a neighboring town and the father of three young children, also confessed to the rape in January 1996 of another 11-year-old girl, said Hans-Juergen Thurnau, chief of police in nearby Cloppenburg. The police did not release the suspect's name, but local residents and media reports identified him as Ronny Rieken. He was detained on charges of murder, rape and abduction.

The suspect was among the thousands of men who voluntarily supplied samples for DNA testing last month for the investigation into Christina's death. The police used newspaper announcements to summon men from the suspected age group of 18 to 30 to have their mouths swabbed with cotton to collect saliva samples.

The police said that DNA from a knife found at the scene of Christina's murder matched DNA from semen taken from the girl raped in 1996. Based on that girl's description of her attacker, the police decided to screen men from 18 to 30 years old.

Voluntary, blanket DNA testing has been used only occasionally in Europe, mostly as a last resort after a long investigation and usually in communities of no more than a few thousand people or fewer. It is untried in the United States.

Mass DNA testing helped the police in Wales catch a killer in 1996. It was also used successfully in a 1986 rape and murder case in central England.

But voluntary DNA tests of 700 people in a town in western France have failed to help the police investigating the murder of a 13-year-old British girl.

## Kremlin Tries to Re-enter the News Business

By Celestine Bohlen  
New York Times Service

MOSCOW — With financial markets crashing, floods in Siberia and a miners' protest that blocked the country's main railroad, Russia has had a lot of bad news lately. Too much, according to President Boris Yeltsin, who called in the directors of three national television channels to complain about negative coverage.

Armed with reports documenting the impact of news broadcasts on the miners' weeklong sit-in on the Trans-Siberian railroad, Mr. Yeltsin said he was not trying to dictate how Russia's media should cover events.

"We have the right to — I don't want to use the word 'demand' — we have the right to ask you to carry out state policy on television," he said. "That's all we want, no more."

The president's comments came at a sensitive moment. This month the Russian government started putting together a state company that will coordinate the operations of state-owned television and radio stations, regional as well as national, and manage the sites that transmit private channels' broadcasts.

The new holding company was quickly seen by Russia's powerful private media groups as the Kremlin's attempt to regain its old pride of place in the country's media markets. Even its name — the All State Television and Radio Company — smacks of the Soviet Union's all-smothering media organization, Gosteleradio.

Oleg Dobrodeyev is general director of NTV, the only wholly private television station that was represented at the meeting. As he put it, "Given that we are dependent on a great number of technical factors — from access to airwaves to office space we rent from the state television center — then the creation of such a state stronghold can't help but disturb people who work in television."

Mr. Yeltsin's meeting Thursday with the television officials — held before television cameras — was supposed to reassure them that this was not the case. "We don't want to take television into our own hands," he said at one point.

But his listeners were well aware of the strategic importance of television in Russian elections during the next two years. They focused on comments that sounded ever so much



WHEN CZARIST EYES ARE SMILING — Before a giant poster of Peter I in St. Petersburg, a conductor of a military orchestra reads the downbeat.

like a Soviet boss of old, looking for ways to control bad news.

Mr. Dobrodeyev said of Mr. Yeltsin, "He is convinced, as are others in authority, that the miners' actions were exaggerated by the mass media, television in particular." He also said the president's briefing papers resembled KGB reports of old. "I said that in a situation where the country has been cut in half by the miners' actions, to pretend that nothing is happening would be like pouring oil on flames."

The debate over control of Russian television burst into the open last week all across Moscow. Capitalizing on the audience provided by the International Press Institute's annual congress, held here for the first time, Russian journalists and politicians lined up by the podium to complain, with each side accusing the other of manipulating information.

Xenia Ponomareva heads ORT, a channel

half-owned by the government but controlled by Boris Berezovsky, a minority shareholder and one of Russia's powerful business tycoons. She called the station's relations with the government absurd.

"I have said to the people in power, 'Gentlemen, if this channel is a political instrument for you, then you should take care of it, nurture it, give it money,'" she said. "If you are not going to help, then don't interfere."

At a time when Russia's political and business interests have divided up television stations and newspapers among themselves, the debate quickly turned political.

"Television in Russia today is more than television," said Mr. Dobrodeyev, reminding his audience how the media had sacrificed objectivity in 1996 when they supported Mr. Yeltsin in his contest against a Communist candidate.

"Then it was not just an election of a president. It was a more serious choice, involving the fate of the country."

It has been seven years since the old Soviet system of control and censorship began to be dismantled, with the appearance in 1991 of a news program, Vesti, that provided viewers with fresh faces and real information. For the first time it provided the government's stodgy, tight-lipped nightly news show, Vremya, with competition.

But old habits linger, even after the collapse of Communism, as NTV learned after its unvarnished version of the Kremlin's brutal efforts to suppress separatists in Chechnya.

"In 1994 and 1995," said Vladimir Gusinsky, "NTV spoke the truth about the war in Chechnya and journalists on our channel were faced with criminal charges." Mr. Gusinsky's business empire controls NTV and other media outlets.

Some Russian analysts take a benign view of the government's new company, which they say will provide balance to private media empires that have not been shy about promoting their own interests.

"The state was not the first to create an information empire," noted Nikolai Petrov, an analyst at the Carnegie Endowment for International Peace in Moscow. "In this sense, the government's move is an attempt not to cede control to the oligarchs."

Nor does anybody believe — for all of Mr. Yeltsin's nostalgia for the kind of good news that was Soviet nightly fare — that there is any danger of turning back the clock.

But skepticism about television — whether influenced by the government or by private interests — has become ingrained in the minds of Russian viewers. At a television awards ceremony, Russia's favorite stand-up comedian, Mikhail Zhanetsky, poked fun at television's top opinion makers who, he said, "tell us every week what we think is going to happen to us."

"Just because ratings are high doesn't mean we like what we see," he added. "It just means we are watching. If my apartment had only one window, then if too would have a high rating, higher than the stove, the door or the toilet. I will only look at the window, but then again, what will I see?"

## Mir Gets New Computer After Failure

The Associated Press

MOSCOW — Russian mission control officials said Sunday that the computer failure aboard Mir had not affected the space station's positioning "too badly," a press agency reported.

Space officials said the crew replaced the computer Sunday with another that had been brought aboard earlier this year, the Interfax press agency reported. It said testing of the new computer was successful.

The computer shut down Saturday, three

days before the U.S. space shuttle Discovery's scheduled liftoff on a ferry flight to the Russian space station.

The computer failure disabled Mir's motion-control system and the space station was orbiting Earth with its solar panels improperly aimed, a National Aeronautics and Space Administration official said Saturday.

Tar-Tass said Sunday that the station's energy system was, however, functioning normally, although the crew had to cut back on electricity use.

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## EDITORIALS/OPINION

# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Surprised by Y2K?

On Jan. 1, 2000, the world will probably wake up with a hangover. But it will be nothing compared with the one felt by computers and computerized systems all around the globe, many of which will awake not to Saturday, but to Sunday, the dawn of a new millennium, but to Monday, Jan. 1, 1900. Because much computer hardware and software have, until recently, stored years in two-digit forms — 98, not 1998, for instance — their internal clocks will make a disastrous mistake when they roll over to 00, interpreting it as 1900, not 2000.

This is the millennium bug, or, as it is also known, the Y2K (Year 2000) bug, a problem that will cost American businesses \$50 billion to fix. The problem affects some personal computers (although not the Macintosh, which seems odd, somehow, that in an industry that is downright apostolic about the future, and whose pundits make more prognostications than a Ouija board, no one saw the millennium coming until it was just this close.

If the ambiguity is not resolved, a form of systematic chaos may ensue.

## Disarming in Ulster

On the paramount issue of taking the guns out of politics, the Northern Ireland peace agreement of April 10 was admirably clear. The language on "decommissioning" — disarming the terrorist paramilitaries on both the Catholic and the Protestant sides — committed "all participants" to "total disarmament" within two years, starting this June. No conditions or qualifications were inserted to soften the mandate of peace.

How startling, then, to learn from the British press that some of the backers of the agreement are signaling a different approach. Officially, the British government adheres strictly to the text. Yet others suggest that Sinn Féin, a wing of the IRA, instead of being pressed for actual decommissioning, may simply be asked for a renunciation of violence.

Senior security officials, the Financial Times reports, believe that forcing a weapons handover now would be counterproductive — would strengthen residual terrorist groups and weaken the republican movement's majority support for the peace process. A "senior U.K. minister" is quoted as saying,

"Less crucial than ownership is the question of whether arms are actually used." Meanwhile, unhelpfully, Sinn Féin's Martin McGuinness says his party is not going to fall into the "trap" of putting decommissioning on top of the political agenda.

It was always evident that decommissioning, along with police reform to give Northern Ireland Catholics greater confidence in law enforcement, would be the toughest issues of peace to enforce. Optimists or, they might prefer, realists have suggested relying on a strategy of "trust and rust" — not insisting on the disarmament process anticipated in the peace agreement but rather counting on the gunmen simply to throw their weapons into a bog. But this is not what the agreement said. It promised not only the security flowing from disarmament but the confidence flowing from the spectacle of orderly, verified disarmament.

It is barely a week since the agreement was finalized by referendum. Any hints of a departure from its specific terms, especially on the issue of disarmament, can bring no good.

— THE WASHINGTON POST

## Colombia's Military

No matter which presidential candidate Colombians have chosen in elections on Sunday, the new president will take over a government whose powers are tightly constrained. The problem is not just left-wing guerrillas or right-wing paramilitaries. The country's civilian institutions are also being eroded by its own military.

One attempt to wrest back civilian control, a reform of the military justice system, is now in Congress and is being sabotaged by the armed forces. Its passage is crucial to the cause of protecting human rights and democratic governance. The government proposal does not go far enough, but it is a vast improvement over the current system, which shields an abusive military.

Typically only in cases of extreme public pressure does the military turn soldiers, even those accused of torture or massacres, over to civilian courts. In military courts, a soldier's judges often include his direct superior. The outcome of such cases is foreordained — virtually always an acquittal.

Colombia's constitutional court ruled last year that military courts may not judge soldiers accused of human rights crimes. All such cases should have been transferred to civilian courts. Due to military defiance, however, very few have been.

The reform bill would restrict military jurisdiction to acts related to military service. Among other changes, it specifies that human rights violations such as torture, rape or forced disappearance must be judged in civilian courts, as they cannot be part of a soldier's legitimate duties. The bill would bar a defendant from arguing that he was only following orders — a defense that is almost always successful — when the order was for an illegal act, such as torture.

Although Colombia's military leaders claim to support the reforms, members of the armed forces are working with senators to weaken the bill, which

will be debated this week. As Colombia acquires a new president, it must also keep its institutions responsive to democratic control.

— THE NEW YORK TIMES

## Other Comment

### Gingrich Out of Order

House Speaker Newt Gingrich is thinking about running for president two years hence, but apparently he already imagines himself to be the secretary of state. The only requisites he lacks for that job are tact, diplomacy and an understanding of how U.S. foreign policy is supposed to work.

Heading a congressional delegation to Israel last week, Mr. Gingrich labored mightily to undercut the Clinton administration's program to encourage peace between Israel and the Palestinians. That effort is not above criticism. But tradition dictates that elected officials refrain from attacking their country's foreign policy once they cross the water's edge. The more prominent official, the greater the responsibility for speaking cautiously.

A few weeks ago, Mr. Gingrich denounced Secretary of State Madeleine Albright as "an agent for the Palestinians." That famous characterization impugns not just the secretary's credibility as an honest broker between Israel and the Palestinians but her very loyalty to the United States.

There is more. Prime Minister Benjamin Netanyahu says Israel must have \$1 billion in foreign — meaning U.S. — aid to enhance its security should it pull back any further on the West Bank. The money would go mainly to build roads to connect Israeli settlements. Mr. Gingrich thinks this is a fine idea. But the position of the U.S. government for 30 years has been that Israel's settlements are, at a minimum, an impediment to peace.

— Los Angeles Times

# The Solution Is to Get Serious About Disarmament

By Zia Mian and Frank von Hippel

PRINCETON, New Jersey — India and Pakistan's nuclear tests are a challenge that can be met in either of two ways. One would be to simply recreate the nuclear status quo with two more nuclear weapons states and accept the enormous dangers for the people of India and Pakistan and the rest of the world. The alternative would be to take international steps to devalue nuclear weapons' possession by moving the nuclear goalposts toward disarmament.

The history of the past 50 years teaches that nuclear weapons are unusable for rational military purposes and that their existence makes ordinary human miscalculation or madness potentially catastrophic.

Yet the nuclear weapons states act as if they are giants in a world of pygmies — creating indignation in many countries and a temptation for nationalistic parties like India's newly governing Bharatiya Janata Party.

The demands being made by the international community are that India and Pakistan not test again, and sign the Comprehensive Test Ban Treaty. It appears that India may be willing to do so.

Brashers Mishra, principal secretary to India's prime minister, has announced a testing moratorium, adding that "we would like to convert the moratorium

into a formal obligation." And Indian weapons scientists claim that they can maintain and further develop their nuclear weapons expertise in the same fashion as the United States, with subcritical tests and computer simulations. Pakistan's leaders may not feel themselves to be in the same position, especially if they believe India's claim that it can now produce thermonuclear weapons of unlimited power.

Indian officials have also indicated that New Delhi will drop its opposition to international negotiations to ban production of highly enriched uranium and plutonium for weapons, the fissile material cutoff treaty. India's position now appears to be that if it can keep what it has and produce more during the negotiations, it is willing to negotiate.

Pakistan, which has a much smaller stockpile, is much less positive. On May 19, Munir Akram, the Pakistani ambassador to the Conference on Disarmament, declared that, in Pakistan's view, the fissile material treaty is "an entirely irrelevant goal at this moment."

India is behaving like a state that has successfully broken into the nuclear club, and Pakistan, after hesitating over the likely ruinous price of membership,

has decided that it must join as well. Israel slipped in long ago, thanks to U.S. willingness to cast a blind eye in its direction. Other states such as Iran and Iraq, and then perhaps South Korea, Taiwan and Japan, wait in the wings.

To break this dynamic, the United States, Russia and the other charter members of the club must make it more credible that they really intend to put the club out of business. The first step would be to end the civilization-endangering practice of keeping nuclear missiles on hair-trigger alert, a posture that India and Pakistan are threatening to imitate.

The United States should immediately ratify the test ban treaty and thereby encourage Russia and China to ratify. Bringing the treaty into force is a key first test of the world's willingness to walk away from nuclear weapons.

The United States, Russia and China should underline the irreversibility of their commitment by shutting down their nuclear test sites. (France already has. Britain, which has no test site of its own, used that of the United States.)

The United States should cut back drastically its lavish "Stockpile Stewardship Program," which inspires fears

both at home and abroad that it intends to continue the nuclear arms race alone.

The United States, Russia, Britain and France should act on their 1996 commitment to place excess fissile materials under international safeguards as soon as possible.

Russia and the United States could start by immediately committing to reduce their stockpiles of unsafeguarded fissile materials to the levels required to maintain only the 2,000 to 2,500 strategic warheads that have been agreed to for START-3. This would capture non-strategic and nondeployed warheads as well, achieving a more than 90 percent reduction from peak Cold War levels.

They should also announce that they intend to reduce further to 1,000 warheads each, and to organize multilateral negotiations on much deeper cuts to levels that would provide a staging ground for negotiations on abolition.

Only by making clear that the nuclear game will end soon can we reduce the incentive to begin playing.

Mr. Mian is a Pakistani physicist and a research associate at Princeton University. Mr. von Hippel is a professor of public and international affairs at Princeton. They contributed this comment to The Washington Post.

# India and Pakistan Were Better Off Before These Tests

By Steven R. Weisman

NEW YORK — India and Pakistan could not have been asked for a clearer example of the futility of nuclear arms grandstanding than the one they have set themselves.

Now that Prime Minister Nawaz Sharif has answered India's test blasts with his own, India needs to face a fundamental question. Why did Prime Minister Atal Bihari Vajpayee give up the advantages of nuclear ambiguity in favor of an action that has clearly worsened his country's security?

A decade ago, I talked with Prime Minister Rajiv Gandhi about the virtues of keeping India's nuclear capability in the shadows even though India's military and scientific establishment was pushing for a bolder approach. His thoughts then are relevant today.

Mr. Gandhi was in a reflective mood after an exhausting day of campaigning. Over dinner that stretched past midnight

at a navy base on the Bay of Bengal, he acknowledged India's nuclear capability but was preoccupied by the possibility that Pakistan might declare its nuclear capability.

"If the Pakistanis get the bomb, I really don't know what we're going to do," he said with a sigh. He agreed that Pakistan also had an interest in maintaining an Israeli-style ambiguity about its possession of nuclear weapons, but added that domestic politics would likely drive Pakistan to proclaim its nuclear status.

He was right about the motive but wrong about the motive but wrong about which subcontinent country would go first.

Indians at first rejoiced after the country's tests this spring. Their hunger for self-respect and the respect of others was obvious as Mr. Vajpayee declared that India had taken "its rightful place in the international

community." Now that Pakistan has answered, Indians may have second thoughts, because their security is more precarious than ever.

Since neither capital could survive a first strike, for example, might either be tempted to carry one out?

An entrenched ethnic and religious rivalry along a disputed border could provide the initial spark. Short of nuclear threats, Pakistan has the ready ability to keep stirring trouble in India's Muslim-dominated border state of Kashmir.

But India surely bears most of the blame for its predicament.

The world had presumed since an Indian test in 1974 that it had the bomb, and Pakistan was warily watching it develop short- and medium-range missiles to deliver it. But by so conspicuously showing off its nuclear might, India not only

forced Pakistan's hand. It also threw both Pakistan and China on the defensive and, if anything, cemented an alliance between them that India had said was its main threat.

The United States, which had made progress improving relations with India after essentially siding with Pakistan throughout the Cold War, is now distrustful of India.

Mr. Gandhi was not wrong about Pakistan's nuclear potential. Around the time of our interview, an enterprising Pakistani journalist, determined to force the issue, managed to get A.Q. Khan, the top Pakistani nuclear scientist, to reveal his country's ability to make bombs. That stirred a furor in Washington and New Delhi, eventually forcing President George Bush to impose sanctions on Islamabad. Today that journalist is the information minister.

India's nuclear provocation will lessen international sym-

pathy on Kashmir. India's once hopeful demand to sit on the UN Security Council is probably dead. As for economic security, the debate in India's Parliament last week revealed growing anxiety over the losses in aid and overseas investment.

In return for little gain, India's actions have hurt its poorest citizens. The shots of nuclear adrenaline to the Indian and Pakistani body politic will be short-lived, replaced by anxiety and deprivation.

After feeling rankled by the West's attention and respect for China, and tired of what it considers to be its own second-class status in world affairs, India has got the attention it wanted, but it may yet look back fondly on the days of neglect.

One can only hope that for the same political reasons that drove it to act, India and Pakistan will learn the wisdom of restraint.

The New York Times

# Nuclear Boys, Behaving Badly, Defy the Rest of World

By Mary McGroarty

WASHINGTON — The American television sitcom "Men Behaving Badly" was renowned for its vulgarity. A similar series is being enacted right now in real life, and it is known for its cosmic obscenity.

All over the world, men are trifling with the fate of the planet and the lives of people who have committed no greater offense than to be born at a time when there is an absence of seriousness in high places.

The new prime minister of

India, Atal Bihari Vajpayee, sought to open his engagement on the world stage by making the earth tremble. He is a nationalist who wished to establish his machismo by setting off five nuclear devices, vaporizing the policy of nuclear nonproliferation to kingdom come and leaving ashes where there was once a rational and reasonable plan for a test ban treaty.

The explosions have stunned

the world. India and Pakistan, with profound Islamic-Hindu differences and border disputes that have threatened peace since they both came into existence, have hurled themselves into the nuclear age at a moment when their friction over Kashmir seemed at a normal level.

India's new government campaigned on a platform of nuclear aspiration. The nationalist party insisted on "re-

spect" from nuclear nations. There are other ways of earning the world's respect, particularly if you are the world's largest democracy and have staggering social problems.

What made the doomsday development especially appalling was the way many Indian people received it. There was dancing in the streets.

There was a time when India was given to lecturing the West from a position of moral superiority. But now lofty India

wants to be one of the nuclear boys: "People who can't read, write or feed their children are forgetting these lamentable circumstances in the ghastly glory of being able to burn the planet or their enemies to a crisp."

India says it is now ready to consider signing the Comprehensive Test Ban Treaty. That is the hard way — particularly since Pakistan, after a few weeks on the sidelines, joined the dance of death.

Two large, poor countries in desperate need of schools, hospitals and education are stretching billions of dollars for nuclear development and putting the lives of millions at risk. India's illiteracy rate is roughly 50 percent. Pakistan's is 67.

Why would not India listen to America before it took the irrevocable step? Perhaps because, the Indians said, America never listened to India. Generations of Indian ambassadors have grown hoarse asking U.S. diplomats why they like China, a military dictatorship, better than India, the world's most populous democracy.

Pakistan did not listen to the West's pleas to take the high road on nuclear weapons. Either Prime Minister Nawaz Sharif sounded like the captain of a rival bowling team in his announcement of the reciprocal blasts. "We have evened the score with India," he said, in heralding the "Islamic" bomb.

Plainly, wisdom is needed to persuade the two leaders that they have made their point and it is now time to think of the rest of the world.

The Washington Post

# What Indonesia Needs Is Time for Reforms

By Robyn Lim

HIROSHIMA — The near obsession of the United States with enlarging democracy in Indonesia, using the IMF as a weapon, is unprecedented in the history of the Fund, which is due this Monday to decide whether to resume a multibillion-dollar loan package that is urgently needed to help prevent an economic collapse in the world's fourth most populous nation.

Misguided American policy threatens the strategic interests not just of America but also of its allies and friends.

Indonesia is made up of more than 17,000 islands. It is a mosaic of different ethnic groups, religions and languages. The archipelago straddles the vital international shipping straits that connect the Indian and Pacific oceans via the South China Sea.

The security of those waterways, including the Malacca Strait between the Indonesian island of Sumatra on one side and Malaysia and Singapore on the other, is a strategic interest of the United States because freedom of naval movement plus nuclear weapons underpins American security.

Japan's maritime security is also vitally important for the United States. More than 80 percent of Japan's oil and much of the raw materials to fuel its industrial economy come via straits that pass through or close to Indonesia.

The U.S.-Japanese security pact is designed to reassure Japan that its key interests will be protected by the United States and that it does not have to develop an independent, offensive military capability of its own, which would almost certainly trigger a destabilizing arms race in the region.

Indonesia's President Suharto, who was forced to resign recently after a wave of protests, riots, arson and looting, was no democrat. But he was a force for moderation in his external policies. He did much to stabilize Indonesia. Now the armed forces are

about the only thing holding the far-flung archipelago together. The defense chief, General Wiranto, is savvy, but Washington seems bent on making his job impossible.

The Clinton administration may hope that by taking the IMF beyond its charter in attaching political conditions to loan packages, it can persuade the U.S. Congress to stop its misguided attacks on the Fund. That might help the IMF, but it will do little for Indonesia.

In the longer term, democracy is no bad thing for the country. But single-minded pursuit of it now, at the expense of stability, cohesion and economic recovery, is lunacy. Can the IMF point to any case of democracy flourishing in the absence of a cohesive state or a viable national economy?

Having made the transition from Mr. Suharto's 32-year rule, Indonesia now needs time. This is not just another dictatorship overthrown by people power. Indonesia is a cauldron of unresolved ethnic and religious differences, that was held together by Mr. Suharto's vision of national political integration and economic development, backed by the military.

Any attempt to make demilitarization and full democracy the basis of U.S. policy on Indonesia, let alone the basis of continued IMF assistance, is playing with fire.

There is the voice of the U.S. Defense Department, pointing out that a stable Indonesia has a critical role in balancing China? And where is the voice of the State Department, highlighting the key role of a stable Indonesia in continued regional cooperation?

Pressures are growing in Congress for independence for East Timor, the former Portuguese colony invaded and annexed by Indonesia in 1975 and 1976 when Mr. Suharto and the military were deeply worried by the spread of Communist and

leftist influence in the region following the fall of Vietnam.

Those who wish to aid the East Timorese should consider that a breakdown of the Indonesian state is unlikely to help them much. Jakarta has been pumping large amounts of money into the province. East Timor cannot function as an independent economic entity.

China, given the history of its meddling in Indonesia's internal affairs, is more than just an interested onlooker now.

In pursuit of a revolutionary foreign policy aimed equally at Washington and at Moscow, China played and lost a high stakes game of power politics in Indonesia in the mid-1960s. With the Indonesian Communist Party as its instrument, Beijing sought to leapfrog American efforts at containment in Vietnam and secure a strategic foothold on the vital shipping straits that Indonesia controls.

While no longer pursuing revolution, China is much stronger today. Its expanding economy and military muscle could provide the sinews of an expansionist policy in the region, unless domestic upheaval also engulfs China.

Enjoying unprecedented strategic latitude, Beijing is expanding its political influence. Its territorial claims to the disputed Spratly Islands in the South China Sea press on the Malacca Strait.

Against the background of that pressure, Indonesia and Australia formed a historic strategic alignment in 1995. And while the United States abandoned its remaining links with Indonesia's military to appease human rights constituencies at home during the recent crisis, Australia did not. It continued scheduled exercises with the Indonesian armed forces.

Washington does not appear to be learning from its mistakes.

Driven by a push for market access and expansion of democracy, Bill Clinton's early East

Asia policy was a near disaster. The Pentagon managed to claw back some influence over Japan policy for a while in 1996, when the security treaty was given a much needed upgrade. Then East Asia's financial turmoil put back into the driving seat of U.S. policy-making those who think that free market economies are all-important and that democracy is a panacea.

The arms race in South Asia should make Washington think again. India and Pakistan are democracies. Their nuclear rivalry has nothing to do with economics, and everything to do with power, status and security.

The writer, professor of international relations at Hiroshima Shudo University, previously worked as an analyst in Australia's foreign intelligence assessment agency. She contributed this comment to the International Herald Tribune.

The Washington Post

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1898: Linotype Now

PARIS — The Herald has just made an innovation by introducing the Linotype type-setting machine. Few readers of a newspaper have any idea of the laborious toil required to put it into type under the old system. Every letter has to be picked up separately out of the compositor's frame and placed in a steel clip in which he arranges the characters line by line. The slightest accident may destroy an hour's work in a few seconds. With the machine there is no such danger. Each line is a solid strip of metal, and should a number of lines be jumbled together, a few minutes will suffice to rearrange them.

### 1923: After Lausanne

PARIS — [The Herald says in an Editorial:] What must strike any one who has studied the renewed negotiations at Lausanne is that the parties are still ignoring the

soundest principles of international policy and still inviting "the wrath to come." The Versailles Treaty and its adjuncts prepared the way for future wars. The genuine interest of Europe in the Near East would dictate an approximate balance of power among the Balkan peoples. What is to be desired is an international adjustment that will reasonably content those people.

### 1948: Czech Elections

PRAGUE — The Communist-dominated National Front came within a fraction of its predicted 90-percent majority in yesterday's vote [May 30] in Czechoslovakia. President Eduard Benes was said to be considering his resignation after the expiration of the time limit for his signature on the new constitution. The president's attitude also takes into account displeasure over the type of vote employed in Czechoslovakia.

**Herald Tribune**  
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Tel: (1) 41.43.93.00, Fax: (1) 41.43.92.10, Advertising: (1) 41.43.92.12, News: (1) 41.43.93.38.  
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## HEALTH/SCIENCE

# Grim Childhood Experiences Are Tied to Later Illness

By Sandra G. Boodman  
Washington Post Service

**W**ASHINGTON — People who grow up in families with an alcoholic, violent or mentally ill member, usually a parent, are more likely to suffer as adults from such serious physical problems as heart, lung and liver disease, cancer, or injuries, a study of more than 9,500 residents of San Diego has found. The study is among the first to explore the relationship between adverse experiences in childhood and the development of physical problems years later.

Published in the current issue of the *American Journal of Preventive Medicine*, the study was directed by Dr. Vincent Felitti, chief of preventive medicine at the Southern California Permanente Medical Group in San Diego. He was assisted by researchers at Kaiser Per-

manente, Emory University, the University of Arizona and the federal Centers for Disease Control and Prevention. Dr. Felitti and his team asked participants about childhood exposure to seven areas of abuse or severe family dysfunction and then compared the responses with chronic diseases and unhealthy behaviors that are the causes of many of those diseases. People who had been exposed to four or more adverse experiences in childhood were 4 to 12 times as likely as those who had not to be alcoholics, drug abusers, heavy smokers or severely overweight.

Murray Straus, co-director of the Family Research Lab at the University of New Hampshire, said the study is important because it focuses on physical problems, which have received relatively little attention from researchers. Dr. Straus added that unlike earlier studies, this one examined events that had

occurred decades, rather than months, earlier in the lives of those surveyed, whose average age was 56. "It's further evidence of the connection between the psychological environment and physical health status," Dr. Straus said. "There certainly haven't been large, well-designed studies that looked at this."

Dr. Felitti said his interest in the roots of medical problems that result from seemingly intractable, sometimes dangerous behaviors was piqued by his experience a dozen years ago running a weight-loss program for severely obese patients. "We noticed the high dropout rates in this program, not among people who were not losing weight but among those who were successful," he recalled.

TOMORROW  
STYLE

## To Catch A Poacher: DNA Tests

By Mindy Sink  
New York Times Service

**L**ARAMIE, Wyoming — There was not much of a crime scene left by the time the game warden arrived — just some blood and hair in the dirt of a windswept patch of Wyoming range. But through the use of DNA tests, the evidence may be enough to link an accused poacher to the site.



Dee Dee Hawk, a forensics specialist, examining the skull of an elk.

Wildlife officials are increasingly turning to the tools of human forensics and using DNA testing to help them convict poachers by taking evidence from the crime scenes and matching them up to the trophy items the hunters take home to the freezer or a taxidermist. In this case, the trail led to Victor Goni, 53, a rancher who is being tried on charges of illegally killing an elk on private property.

"We are actually running the equivalent of a homicide investigation," said Kenneth Goddard, head of the Fish and Wildlife Service's National Forensics Laboratory in Ashland, Oregon. "We're almost drawing a chalk line around where the deer was found."

Until recently, Mr. Goddard's lab was the only one in the United States using DNA testing as part of forensics analysis in wildlife crimes — including species identification for international trade of bear gall bladders, elephant and rhinoceros horns and tusks found in jewelry as well as identification of poachers of wildlife like deer and wolves.

Now, with poaching on the rise in many states, the Game and Fish Departments of Wyoming and California are using DNA "fingerprinting" against poachers, and, less often, to determine if an animal is responsible for an attack on a human.

In California, prosecutors were ready to go to court last month for the first time with DNA tests in a deer-poaching case. In Wyoming, a hunter is awaiting sentencing in a case in which DNA tests tied him to six instances of antelope poaching. In Colorado, a poacher was convicted in numerous cases of illegally killing elk as a result of DNA tests.

The O. J. Simpson case was a watershed of sorts for focusing the public's attention on DNA testing," Mr. Goddard said.

In the Wyoming antelope case in April, a jury convicted Kenneth Nelson on six charges of wanton destruction. It was the first time the DNA technique was used on antelope in North America. "The information on the DNA tests was pretty pivotal," said Stephanie Sprecher, the prosecutor, "because it was the only substantial scientific link we had."

The investigation began with an anonymous call to the state's toll-free "Stop Poaching" number. Six headless antelope carcasses had been found near a city dump. After going door-to-door and asking about recent antelope kills, the game warden, Steve Cooley, came up with Mr. Nelson's name and retrieved the head of a buck antelope registered to him at a taxidermy shop.

**M**R. Cooley then sent antelope samples to the Wyoming Game and Fish Department's Forensics Laboratory in Laramie, which worked in conjunction with John Coffin, a forensics expert in Alberta, Canada. "It's not the magical solution for game wardens," Mr. Cooley said of DNA testing. "But it's a neat tool to have in your bag of tricks."

Investigators also rely on tire and shoe imprints, witnesses, fingerprints on items left behind, like beer cans, and ballistics tests. That "neat" tool is similar to what crime laboratories for human forensics have been using. Human DNA testing involves the use of microsatellites or short tandem repeats, also called DNA

fingerprinting. This method allows a researcher to look for repeated areas of DNA on a molecule strand.

The latest and fastest tests, Polymerase Chain Reaction, are now being used in animal as well as human forensics. The accuracy of this method, heavily assailed in the Simpson trial, has improved, experts said.

"We can now tie a blood spot or sample from an antelope pile to a head hanging in some guy's house or a steak in his freezer a year later," said Russ Pollard, a wildlife law-enforcement coordinator for the Wyoming Game and Fish Department in Cheyenne.

In turning to DNA testing for animal cases, poaching investigators have some advantages over officials examining human crimes. Human DNA, for example, can be more easily contaminated by the handler of the sample, since they are of the same species. Also, the probability that the DNA of one animal will match another is usually much smaller than for humans. While humans as one species are often broken down by various species, in which some populations are quite small or isolated.

The chance that the same genotype will appear in any species is "one in 20 million," said Dee Dee Hawk, a forensic specialist at the Wyoming laboratory. "That's pretty phenomenal when you think there aren't even that many antelope out there," she said.

Unlike humans, antelope and other animals remain in a fairly concentrated population site, which can make for a smaller gene pool and test population.

## Tracking a Culprit in Alcoholism

By Susan Okie  
Washington Post Service

**W**ASHINGTON — Two large genetic studies of families with many alcoholic members have identified areas of five separate chromosomes that may contain genes contributing to an individual's risk of alcoholism, researchers have reported.

Alcoholism has a strong tendency to run in families. Although it is common in the general population, brothers or sisters of alcoholics are at three to eight times greater risk of alcoholism than a person who has no family history of the condition. The identical twin of an alcoholic has about a 60 percent chance of also becoming alcoholic.

Studies of inheritance patterns long ago persuaded researchers that alcoholism, like diabetes and heart disease, was not caused by a single gene — even by genes alone. The fact that the identical twin of an alcoholic does not always develop the disease indicates that environment must also play a role.

"There's the likelihood of a handful of genes, each one responsible for part of the risk of the disease," said Enoch Gordis, director of the National Institute on Alcohol Abuse and Alcoholism.

About a decade ago, the institute established six research centers that began collecting blood samples, medical and psychiatric histories and other data on people from families with a strong pattern of alcoholism. To qualify for the study, a

family had to contain at least three first-degree relatives (siblings or parents and children) who were alcoholics. Individuals were recruited from treatment facilities, and strict criteria were used to decide whether they had the condition.

Scientists at the centers isolate the chromosomes, which contain the DNA or genetic material, from blood cells of people in the study and use identifiable pieces of DNA called markers to analyze inheritance patterns for small stretches of each chromosome. That approach allows them to consider all 23 pairs of human chromosomes in short sections, and to begin to zero in on those that may harbor genes that increase, or decrease, a person's risk of becoming alcoholic. Each individual section, however, can contain hundreds of genes.

The Collaborative Study on the Genetics of Alcoholism now includes more than 350 families and has collected data on about 10,500 people, said Henri Begleiter, a professor of psychiatry and neuroscience at the State University of New York, Brooklyn, and the study's chairman. The results reported from the study come from 987 people in 105 families.

Meanwhile, two scientists at the National Institute on Alcohol Abuse and Alcoholism have pursued a similar approach in a smaller family study, involving 152 members of 32 interrelated families, done with the cooperation of members of an Indian tribe in the southwestern United States that has very high rates of alcoholism. Eighty-five percent of the men and more than 50 percent of

the women in the tribe become alcoholic at some time in their lives, said David Goldman, chief of the institute's Laboratory of Neurogenetics.

The laborious genetic analysis has begun to pay off, Mr. Gordis of the alcoholism institute said, yielding "important findings about where in the genome the vulnerability to alcoholism likely lies."

The Collaborative Study on the Genetics of Alcoholism has found regions that may contain alcoholism-related genes on chromosomes number 1, 2, 4 and 7. The study on the Indian tribe identified two regions on chromosome 4 and one on chromosome 11.

Findings from both studies were published in the May issue of the journal *Neuropsychiatric Genetics*.

"This is essentially the end of the first major phase," Mr. Gordis said. The next move, he added, would be "to use finer and finer markers and find the genes."

Some of the chromosome sections identified in the two studies are known to contain genes important for brain function and the body's ability to break down and get rid of alcohol.

Mr. Gordis said that if researchers can identify alcoholism-related genes and discover their function, such knowledge should lead to better treatments and more specific strategies for preventing the disorder. But for now, people from families with a pattern of alcoholism are advised to avoid alcohol or to monitor their own drinking carefully, keeping in mind that they are at risk.

## LANGUAGE

# Guilty of the Felony of Redundancy

By William Safire

**W**ASHINGTON — The ghost of a melancholy Dane strode upon the White House stage this month. The audience will recall President Bill Clinton's agreement with a question about whether he thought the Independent Counsel Ken Starr was out to get him: "Isn't it obvious?" countered the president.

Starr believed that such public talk was a signal from Clinton to Susan McDougal to continue to resist testifying before a grand jury.

Such comments, the prosecutor wrote to the White House counsel Charles Ruff, amounted to "a presidential agreement with a convicted felon's asserted reason for her continuing contumacious behavior."

Alas, poor counsel: Starr was guilty, along with most commentators, of redundancy in convicted felon.

A felony is a crime long thought to be more serious than a misdemeanor. The root, *fell*, comes from a Latin noun for "gall"; one filled with *fell* is consumed by bitterness, evened by wickedness and hatred. As an English adjective, as in "one fell swoop" of a hawk, it means "cruel."

A felon is a person who has committed a felony. (Shakespeare's Paris tells Romeo he plans to "apprehend thee for a felon.") But you cannot call someone a felon, or even a lesser criminal, based on your own belief, unless you want to invite a libel suit (or in Paris's case, a sword). To be identifiable as a felon, the wrongdoer must first be convicted of a felony, having

been found guilty or having admitted guilt.

Thus, convicted felon is redundant. It says "convicted convicted of a felony," which is as tautologous, pleonastic and repetitive as *revert back*, *general consensus*, *safe haven* and *sworn affidavit*. (Kill *tautologous* and *pleonastic*; they're repetitive.) Such usage treats the reader as an uneducated oaf unaware that an affidavit must be sworn and that the essence of a *haven* is safety.

"Charles Dickens assigned names to his characters that reflected their personality traits," writes Jerome Schwartz. "Such names as *Fezziwig*, *Scrooge* and *Bumble* come to mind. Can you recall the name of this technique?"

Anthony Trollope did it, too: he named a doctor character *Abel Fillgrave*, M.D. The practice of novelists — or the occasion in real life — is the reverse of an eponym, which applies the name of a real person to a noun or verb. ("The nominee was *borked*.")

And you notice these perfect appellations all the time: There used to be a helpful fellow in The New York Times payroll department named *Harry Cash*, and now there's a clerk in the Washington bureau named *John Files*. The head of the Passenger Vessel Association, which warned passengers not to climb on bow railings after viewing "Titanic," is *John Groundwater*.

Assuming it all began in Shakespeare, I turned to the Bardophile Jeffrey McQuain, who immediately remembered the superficial Justice *Shallow* in "The Merry Wives of Windsor" and the fast-and-loose Mistress *Quickly* in "Henry IV, Part I."

Deeper research found the marriage of name and quality of character in

allegories written two centuries earlier. Larry Scanlon, editor of *Studies in the Age of Chaucer*, notes that *Constance*, the protagonist of "The Man of Law's Tale," is a model of constancy, and *Prudence* in another Canterbury tale offers wise advice. At that time, William Langland's *Piers Plowman* was a farmer whose first name is a play on an earlier Peter, the apostle whose name comes from the Greek *petra*, "rock." In Matthew 16:18, Jesus is quoted as saying, "Thou art Peter, and upon this rock I will build my church."

"The apt word you seek," McQuain says, "is *aptronym*, said to be coined by the American newspaper columnist Franklin P. Adams, who in 1938 joined the panel of radio's 'Information Please.' FPA, as he was called, arranged the first two letters of *paronym*, the naming for one's father, to spell *apt*, with its Latin root for "fasten, attach," which now means "fitted."

McQuain, who happened to know about FPA's coining because his Internet word column is at [www.info-please.com](http://www.info-please.com), steered me to Merriam-Webster's "What's in a Name?" by Paul Dickson. That word maven applies this word to real people with eponymous names: *Matt Batts*, former major-league catcher; *J. Bidwell*, contractor; *Dick Cud*, Carnation Milk spokesman; *Mike Bassett*, veterinarian.

"Collecting aptronyms is generally good fun," Dickson writes, "but gets a bit unnerving when you run into the horrifyingly apt: *Will Drop*, a Montreal window cleaner who died in a fall; and *Wilburn and Frizell*, who on the grim morning of Oct. 6, 1941, went to the electric chair at the Florida State prison."

New York Times Service

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## INTERNATIONAL

## Some Latin American Countries Look Back to the Good Old Days of Dictators

By Anthony Faiola  
Washington Post Service

ASUNCION, Paraguay — In the days of General Alfredo Stroessner's repressive dictatorship, a young plumber named Ricardo Aveaurenga made a living fixing pipes in a shantytown by the edge of the feisty Paraguay River.

But in the last decade of democracy here, Mr. Aveaurenga, now a 39-year-old father of four, found less and less work as his neighbors fell on hard times. Then one day plumbing became a luxury no one could afford.

Now he sits in the overgrown Park of the Heroes in the center of this decaying capital, making about \$10 a day shining shoes on a rotten wooden stool. The erosion of his life is the reason that, in Paraguay's recent elections, he voted for General Stroessner's old party — the conservative Colorado — which won a sweeping victory over the liberal Democratic Alliance.

"I cannot feed my children," Mr. Aveaurenga said, adding that now it makes him think that maybe General Stroessner was not so bad.

"I could feed my children during his time," he

said. "Yes, yes, I like liberty, but I need food more."

Mr. Aveaurenga's plight underscores the difficulties facing several countries across Latin America now that democracy has taken root in a region once known for its military dictatorships and that free-market economic reforms have lessened traditional reliance on the state. While the changes have delivered benefits in many Latin countries, in others they have yet to fulfill their original promise of bettering the lives of the vast underclass.

As a result, some disenchanted Latin American countries, including Paraguay, are looking back toward firm-handed, populist leadership for an answer. In Bolivia last year, voters overwhelmingly elected the former dictator General Hugo Banzer Suarez to the nation's highest office. Even though his previous rule, from 1971 to 1979, was marked by corruption and intolerance, his years in power were also some of Bolivia's most stable, marked by low unemployment and massive influxes of foreign investment.

In Peru, President Alberto Fujimori, who finally reined in his country's rampant terrorist

violence with a zero-tolerance policy that included dissolving Congress, was re-elected in 1995 and is poised to run for a third term.

In the Venezuelan presidential elections scheduled for December, the leading candidate is Hugo Chavez, who staged an unsuccessful coup in 1992 against the government of President Carlos Andres Perez.

"Latin America is not rejecting democracy," said Cesar Gaviria, secretary-general of the Organization of American States and former president of Colombia. But "under the old regimes, the people basically had law and order, less unemployment, more security. It's normal they would look to the past — many have not received the benefits" of the new democratic era.

Latin Americans are hardly ready to throw democracy to the wind. It has brought unprecedented freedom of expression, and much of the populace has embraced that and other liberties. In many countries, the economic reforms brought about by democracy have altered the political and social landscape for the better.

For instance, in Brazil, Latin America's largest and most-populous nation, the liberal economic

policies of the democratically elected president, Fernando Henrique Cardoso, have ended years of hyperinflation and helped stabilize the currency. Although Brazil still has one of the most striking disparities of wealth in the world, the changes there have cut the poverty rate by 9 percentage points.

But in some countries, the democratic years have not been so sweet. Paraguay, a country of 4.9 million people that even under democracy has been unable to escape its legacy of corruption and cronyism, may be the most extreme example. Here, near the sprawling shantytowns in this poverty-stricken capital, the devolution of life for most people has left the populace increasingly disillusioned with democracy in the nine years since General Stroessner fell. A poll taken last year showed that only 16 percent of Paraguayans were satisfied with democracy.

It is easy to see why. Since 1989, the banking system has basically collapsed, and the currency is worth much less. In the past three years alone, unemployment increased to 9 percent from 6 percent, with underemployment almost doubling to 20 percent. Crime is soaring, and 80 percent of

the rural population lives in poverty, an all-time high. Today, the 351 richest people own 25 percent of the land in this nation about the size of California, according to political researchers here.

In some cases, such as Paraguay and Venezuela, nations turning toward a firm hand are the ones that did the least to implement economic reforms. But others, such as Bolivia, have revamped their economies, bringing increases in unemployment as governments use privatization to reduce the state work force.

"The problem is that economic reforms, in many cases, were put into effect without any safety net for the poor," said George Vickers, director of the Washington Office on Latin America, a private research organization.

Because of the economic difficulties, analysts say that Paraguay may fall into a partial democracy, where presidents rule by decree and make unconstitutional bids to remain in power.

Graciela Romer, an analyst who has studied Paraguay said: "We won't see a deepening of the democratic tradition. Instead, we'll see a very shallow system of populist, authoritarian rulers who operate under the guise of democracy."

A Sour Mood  
In Colombia  
As Voters Pick  
New PresidentBy Serge F. Kovaleski  
Washington Post Service

BOGOTA — As a destitute shoeshiner working at Bolivar Square in the shadow of Colombia's highest political institutions, Jose Gamboa says he would like to buff President Ernesto Samper's wing tips — but hardly out of respect.

Rather, with Sunday's presidential elections on his mind, Mr. Gamboa wanted to tell the outgoing chief executive he was fed up with the generations of leaders who have allowed so many people to suffer in a worsening maelstrom of poverty and violence.

Mr. Gamboa, 41, is a case in point. Since being laid off as an elevator mechanic several years ago, he has been unable to find comparable employment in an economy that has been steadily eroding.

His wife has left him, and Mr. Gamboa believes she is now a prostitute earning more money than he can bring home. Most recently, he said, his younger brother was killed when his army unit was ambushed by leftist guerrillas in a jungle area.

"No one can go on living like this," Mr. Gamboa said. "Everything is falling apart in our country. There is even less order and honesty than before, and that was bad enough. We need a change."

Discontent in Latin America's oldest democracy is at its highest level in recent memory, with many Colombians viewing the presidential vote as an opportunity to replace a government and ultimately an entrenched political culture that have become synonymous with corruption and ineffective leadership.

From the outset of his tenure four years ago, Mr. Samper was hobbled by revelations that his 1994 campaign had received millions of dollars from the Cali drug ring. Although the House of Representatives found him innocent of any wrongdoing two years later, he is perceived to have bought that support by doling out large sums of state money for pork-barrel projects.

Mr. Samper's overspending is one reason why Colombia's traditionally robust economy is in much worse shape than when he took office.

Furthermore, the Samper administration has made virtually no progress toward achieving peace in a period marked by increased attacks by rightist paramilitary groups and leftist guerrilla forces and by acts of brutality by the military.

The heightened sense of disaffection, analysts said, is not aimed only at Mr. Samper, who by law cannot seek a second consecutive term, but also at the political establishment as a whole. Politics in this country of 36 million people has been dominated for more than a century by the Liberal and Conservative parties and the wealthy families that control them.

"There is very widespread dissatisfaction with traditional political parties and politicians," said Rodrigo Losada Lora, a political science professor at Javeriana University in Bogota.

Consequently, an independent candidate, Noemi Sanin, 48, a charismatic former foreign minister, has attracted large support from discontented urban voters. A poll published Friday in the Bogota daily El Tiempo showed her third, with the margins among the three leading candidates having narrowed significantly.

According to the El Tiempo poll, Mrs. Sanin nearly doubled her support in the past month, to 23.2 percent. She is close behind Horacio Serpa, 55, a former interior minister under Mr. Samper. Mr. Serpa is backed by the Liberal Party, which has controlled the presidency for 12 years.

A former mayor of Bogota, Andres Pastrana, 43, candidate of the Grand Alliance for Change, an umbrella organization that includes the Conservative Party, was ahead in the polls, although his support had recently dropped.

It was widely believed that no candidate would win a majority, an outcome that would lead to a June 21 runoff between the top two vote-getters.

## Bomb Kills 3 as Polls Open

A bomb killed three persons and wounded one only minutes after the polls opened, Agence France-Press reported from Bogota.

The bomb exploded on a road in the eastern town of Barrancabermeja, local officials said.

The violence occurred minutes after the polls opened at 8 A.M. with the entire 250,000-member Colombian military on alert.

## Jew Versus Jew at the Western Wall



An Israeli policeman gesturing Sunday to ultra-Orthodox Jews as he told them to stop taunting a Conservative Jew, one of a group of 300 holding prayers at the Western Wall, Judaism's holiest site, in Jerusalem. Scuffles broke out as security forces tried to keep the two sides separated, and 11 people were slightly injured. The ultra-Orthodox Jews reject the Conservative and Reform practices of Judaism.

Roone Arledge Departs  
As Chief of ABC NewsBy Lawrie Mifflin  
New York Times Service

NEW YORK — Roone Arledge, who has reigned over ABC News for 21 years — longer than any news executive in television — has announced he will turn over leadership to the division's president, David Westin, starting Monday.

Mr. Arledge, 66, will remain as chairman of ABC News and will be a consultant to Mr. Westin. Mr. Westin, 45, will remain as president.

In March 1997, Mr. Arledge named Mr. Westin to succeed him, without saying when. Mr. Westin will now wield decision-making power alone, ending 15 months of power sharing with Mr. Arledge. Although Mr. Westin, a lawyer and former president of the ABC Television Network, has had limited experience in journalism, Mr. Arledge praised him for having "integrity and a strong vision for ABC News," and said he was confident Mr. Westin would "do a terrific job."

Mr. Westin, who has worked for ABC for seven years, is taking over as the network's news division faces several major concerns.

Walt Disney Co., its parent company, has demanded trimmer budgets; ABC has been in a slump, often delivering smaller audiences to the news division's

programs, and "World News Tonight," the evening news program with Peter Jennings as anchor, has slipped to second place in the Nielsen ratings behind the "NBC Nightly News."

The biggest problem is "Good Morning America," which has seen viewers leave in droves, and now ranks far behind the top-ranked morning show, "Today," on NBC.

"Following a legend is always a challenge," Mr. Westin said of Mr. Arledge. In 1977, when Mr. Arledge, then president of ABC Sports, became president of ABC News, he, too, was criticized for not having enough news experience. Yet he had revolutionized sports television. He was the first to refuse to allow event sponsors to dictate which announcers would cover an event. He pushed ABC to cover social and economic issues in sports, and gave free rein to the opinionated commentator Howard Cosell.

He created "Wide World of Sports," "Monday Night Football" and enhancements like instant and slow-motion replays and on-screen graphics.

When he took over, ABC News was the least well-regarded network news division and the lowest-rated. But he improved its image with the news programs "20/20" and "Prime Time Live," and invented the late-night program "Nightline."

## Acceptance of Homosexuality Said to Increase in U.S.

By Carey Goldberg  
New York Times Service

BOSTON — The acceptance in the United States of gay men and lesbians has increased significantly in recent years, as has support for their civil rights, but a majority of the population still disapproves of homosexuality, a study by the National Gay and Lesbian Task Force indicates.

The report, commissioned by the advocacy group, focused on steep increases over the last 20 years in support for equal rights in housing, employment and the military.

"The most striking thing is how the trend has been one of liberalization," said Alan Yang, the report's author and a doctoral candidate in Columbia University's Political Science De-

partment. He drew on data from major polling organizations like Gallup and the National Opinion Research Center for his analysis.

But for all the signs of increased tolerance, the report, released Friday, found that though disapproval of homosexuality had dropped nearly 20 percentage points since its peak of 75 percent in the late 1980s, it was still 56 percent in 1996, the most recent year examined.

Also, gay men and lesbians remain one of the least-liked groups in the country, the survey found.

"I think the lesson for us out of this data is that the strategy of education and the continued effort we expend on public education is more important than ever," said Urvasi Vaid, director of the National Gay and Lesbian Task Force. "To the extent we've seen changes in

public opinion over the last 20 years, it has been because we have a community that has come out of the closet."

In general, the report highlighted the complexity of Americans' attitudes on gay issues, public opinion analysts said.

Alan Wolfe, a professor at Boston University who described Americans' continued opposition to homosexuality in his recent book, "One Nation, After All," described the dichotomy as "the soft homophobic position."

What he heard in interviews around the country, he said, was: "Sure, gays should have rights. We all have rights. We should respect gays. But if what they're asking for is for me, Mr. Average American, to say yes, your life style is the moral equivalent of mine, that I'm not willing to do."

## HUNT: With NATO Special Forces in Hot Pursuit, Karadzic Stays on the Run

Continued from Page 1

and backed him during the war, has abandoned him.

"Mladic has the Yugoslav Army behind him," a NATO official said. "He has his army pension, friends in the institution and connections in Serbia that Karadzic lacks. Karadzic, who worked as a doctor in a Sarajevo hospital before the war and has few supporters in Belgrade, is on his own."

Mr. Karadzic, who oversaw the "ethnic cleansing" and killing of tens of thousands of Bosnian Muslims during the war, has fallen far. During the war, he would sweep into con-

ferences in Geneva, his hair in curly waves and a white silk scarf dangling about his neck, and blithely dismiss previously made agreements.

Although he was forced to step down as Bosnian Serb president in 1996, under a deal that allowed his Serbian Democratic Party to run in the internationally administered Bosnian elections, he retained control of the party and ran his lucrative black-market operations, his wealth and power undiminished.

NATO units in Mr. Karadzic's mountain stronghold of Pale, provided with photographs and names of indicted war criminals, often had to close their eyes to miss him. Mr. Karadzic lived in his white three-story house guarded by

his special police contingent, moved about the town in an unwieldy motorcade and worked during the day on the second floor of the Famos car parts factory on the edge of town.

He continued to preside over meetings of the Bosnian Serb leadership and stymied every attempt by international officials to promote the joint Muslim-Croat-Serb government agreed for Bosnia under the Dayton peace plan.

But last year his empire began to crumble. Rivals, led by his successor as the Bosnian Serb president, Biljana Plavsic, consolidated their power in Banja Luka last summer with the intervention of British troops and slowly gained control of western Bosnia. The European Commission's customs union took over the borders for the Bosnian Serb government, drying up much of Mr. Karadzic's revenue, and General Wesley Clark of the U.S. Army, who did not share his colleagues' reluctance to pursue war criminals, was appointed the supreme allied commander of NATO.

There are reports that Mr. Karadzic is finding it harder to find shelter. At one point, NATO officials said, he was turned away from a Serbian Orthodox monastery in Montenegro.

Meanwhile, NATO officials who support the arrest of Mr. Karadzic are deeply upset with the French military, which oversees much of the area in eastern Bosnia frequented by Mr. Karadzic. The French command, fearful that French troops could be taken hostage or come under attack if Mr. Karadzic is arrested in the zone, oppose the effort.

Last year, a French officer, Major Herve Gourmelon, without clearing his activities with NATO commanders, conducted secret negotiations with Mr. Karadzic in an effort to get him to surrender. In addition, French military officials have been barred by their commanders from testifying at the war crimes tribunal at The Hague.

There is a debate within NATO circles as to whether Major Gourmelon, who was recalled to Paris, may have alerted Mr. Karadzic about an arrest attempt, the officials said. The French government has denied the charge.

U.S. commanders tried to have the French shifted out of eastern Bosnia, "so they couldn't continue to mess things up," in the words of a NATO intelligence officer.

The French, however, refused to move. "At this point I think the French do not want to know too much," a NATO official said. "They will be content if the arrest takes place and they are presented with a fait accompli."

## CREDIT: East Europeans Find Consumer Dream

Continued from Page 1

but they have been able to avoid a devaluation. In fact, in the first quarter of this year, exports rose 24 percent from last year's level.

Some worry that people are living beyond their means. "There is a deeper cultural problem of people wanting to desperately achieve Western living standards quickly, and no sense this has consequences," said Marek Matraszek, director of CEC, a lobbying firm in Warsaw. "You can't finance a Western lifestyle with the gross domestic product per head of Poland."

Defaults on household credit are not yet a big problem. But at PKO BP Bank in Warsaw, Janusz Ostaszewski, the spokesman, acknowledged that late payments have started to grow. In the first seven months of 1997, for example, the delinquency rate on consumer loans rose to 4.5 percent, from 3.3 percent for 1996.

As a countermeasure, the Polish central bank has lured consumers into saving their money through an unusual program: The bank offers private depositors higher interest than the commercial banks do.

So far, credit cards are only in their infancy, and those that have been introduced, like Citibank's card in Poland, are essentially a tool of upper-income young professionals. The lack of agencies to monitor individuals' credit histories has made banks very cautious.

Mortgages are also still virtually unknown because, with high levels of inflation, commercial banks are unable to finance them. With 15 percent inflation in Poland, even commercial

banks cannot borrow for a 10- to 30-year period.

Even so, the buying spree with credit is vivid. In the sparkling Muranyi store at the Duna Plaza shopping mall in Budapest, about 30 percent of customers bought on credit last Christmas, according to Imre Zacsovics, a sales clerk. "You couldn't move in here, there were so many buying on credit," he said as he showed off imported \$300 television sets arrayed on shelves.

In the latest credit offer at the store, Mr. Zacsovics said, Budapest Bank offered customers terms of a 20 percent down payment, with annual interest charges of 28 percent.

Pavel Uryga, 26, a telecommunications technician who earns \$500 a month, was eyeing a \$400 microwave oven at the Multiservis store.

"In the old days you had to save the money, and it would take two years to get a Russian color TV," he said. "I see a lot of people around me going into debt, so it's less embarrassing now to buy on credit."

## Note to Readers

A problem at the IHT print site in Toulouse prevented the delivery of the Saturday-Sunday edition to parts of Spain and southwestern France. Affected subscriptions will be extended by one day. We apologize for any inconvenience that may have been caused.

AMERICAN  
TOPICS

## Blame Society for All Those Fatties

The trend toward obesity in America is showing no sign of abating. Fifty-four percent of all adults are heavier than is healthy and more children than in the past are overweight, meaning more obese adults in the future, according to a study by University of Colorado nutritionists. The percentage of overweight Americans has increased by about a third in the last 20 years.

"The trend will continue," said James Hill, co-author of the study, published in Science magazine. "There is no indication that it will turn around. Actually, it seems to be getting worse."

The Colorado researchers suggested that the government mount a campaign against overeating as it has done against smoking. Obesity increases the risk of diabetes, cancer, heart disease and other chronic disorders, pushing up the risk of death from all causes by up to 60 percent.

"We can't become complacent about this epidemic of obesity, which seems to be worsening," Dr. JoAnn Manson, a specialist at Brigham and Women's Hospital in Boston, wrote in the issue of Science magazine that published the Colorado research.

The average American, in simple terms, eats far more than necessary and exercises far less than is good for him or her. Mr. Hill said. He blames social situations that encourage overeating, restaurants that offer oversized servings and technology that makes it easy to avoid exercise.

"Becoming obese is a normal response to the American environment," Mr. Hill said. "If the environment continues to encourage high intake and low activity, then we'll all be overweight."

## Short Takes

The decline of the traditional family has slowed dramatically as divorce rates and out-of-wedlock births have leveled off, according to the Census Bureau. From 1970 to 1990, the number of married couples with children declined sharply as a proportion of all households, from 40 percent to 26 percent. But from 1990 to last year, it declined 1 percentage point. Meanwhile, the birth rate among teenagers is down 12 percent since 1991; it has fallen among unmarried women as well.

Sociologists cite several factors, including the aging of the Baby Boom generation out of the age groups most likely to get divorced or have children out of wedlock plus an increased emphasis in society on so-called family values.

In the Thanksgiving Day Parade last year in New York, high winds blew some of the huge helium-filled balloons out of control. One of them, the Cat in the Hat, knocked over a lamppost, critically injuring a woman. A mayoral task force examined the problem and parade organizers are now being told to limit the size of the balloons, not to operate them in high winds and to anchor each to at least two vehicles. The size restriction means that such cartoon characters as Bugs Bunny, Woody Woodpecker and the Pink Panther will not return.

There was something odd about the way the man on the California beach was carrying his portable radio and following women. A beachgoer asked the Huntington Beach police to keep an eye on him. The suspicion was well-founded. The boom box, it turned out, had been hollowed out to make room for a video camera and the man was recording images of women. Although such taping of adults is not illegal, police seized the radio. The taper, one officer said, was "quite embarrassed."

Brian Knowlton



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# ASIA PACIFIC: PERSPECTIVES ON REGIONAL RENEWAL

With the benefit of hindsight, the underlying causes and triggers of the Asian financial crisis have been thoroughly analyzed, and a broad consensus exists about the main elements involved: pegged exchange rates; large capital inflows of speculative private money; weakness in the banking sector and in regulatory mechanisms; and weaknesses in the corporate sector, in particular caused by large, unhedged borrowings.

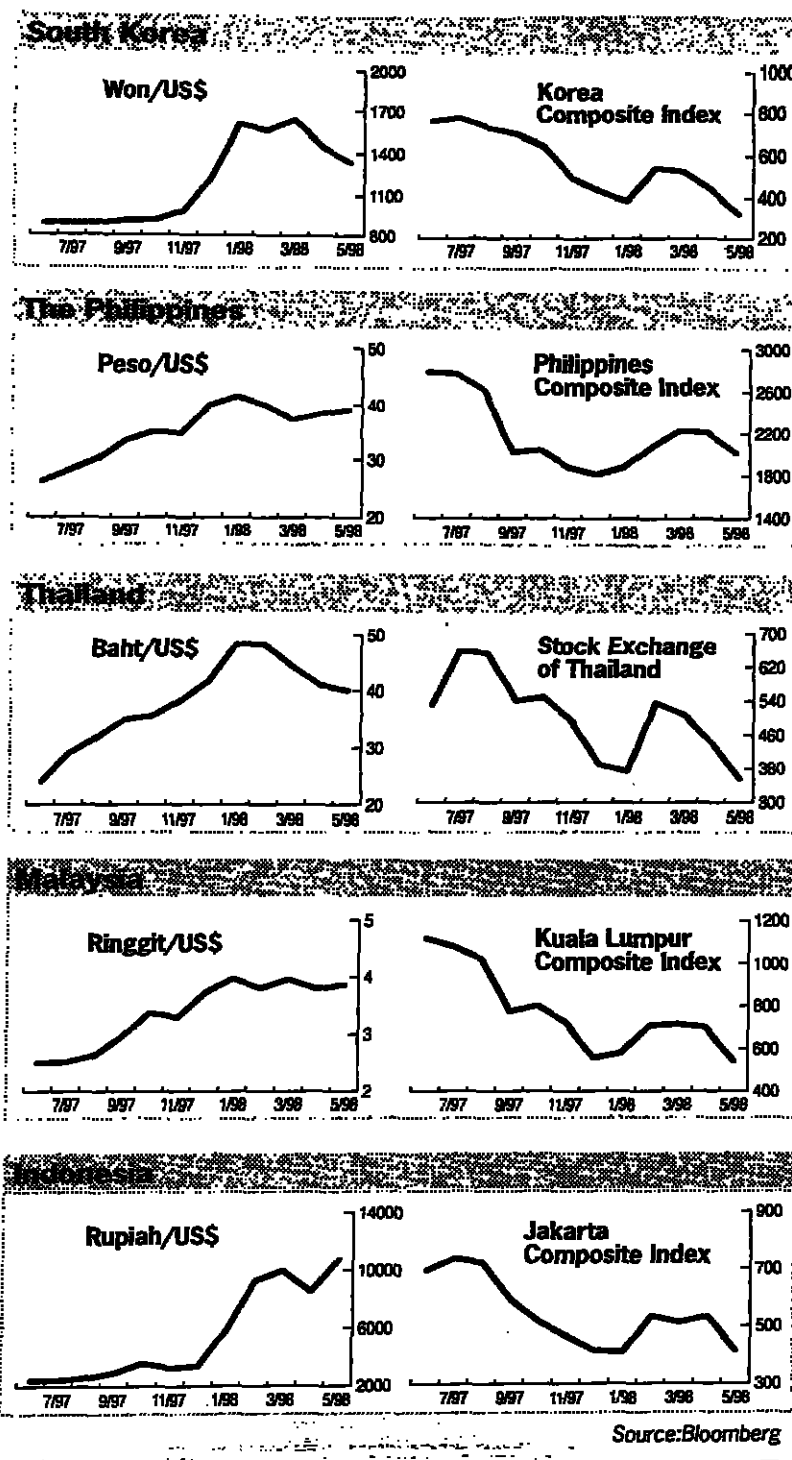
When the crisis hit, countries were faced with the choice of either raising interest rates to defend their currencies, which would have bankrupted many companies, or allowing their currencies to plunge — with much the same effect. U.S. economist Professor Paul Krugman says, "The specific sin that pushed Asia to the brink was the problem of moral hazard in lending." Then the panic set in and currencies plunged.

There is also broad consensus among most analysts that the economic fundamentals of most of Asia's economies are still good, even though they are entering a period of slow or even negative growth. In three or four years, growth of a more sustainable quality should resume, provided that the sort of structural reforms that the International Monetary Fund is insisting upon are implemented.

There are still big questions that could throw this optimistic forecast askew. Will Indonesia unite under a new government? Will Japan bite the bullet and fix its banking system, or will the country's economy founder? And will China eventually be forced to devalue its currency? These issues are still puzzling Asia analysts.

## Currencies and Stock Markets Tumbled

After the devaluation of the Thai baht in early July 1997, stock markets and currencies in neighboring countries tumbled as the shock waves spread.



## EXPORT MODEL CAUSED DOMINO EFFECT

Moving from agriculture to manufactured goods to high-tech products presented some hidden dangers.

In the Cold War period following World War II, the threatened spread of communism gave rise to the domino theory — that Asian countries would fall like dominoes to the communist scourge. Instead, they fell as economic dominoes. Bankers Trust Australia's chief economist, Chris Caton, has analyzed why.

Mr. Caton says that at the outset, Asian success was underpinned by an economic development model based on exports. Close and mutually supportive relationships among governments, business communities and financial institutions acted to direct investment into high-growth export areas.

The challenge was to move from agriculture to labor-intensive manufacturing and further up the chain to high-skills goods and services. Singapore and Hong Kong were the most successful at this, while Japan found the transition from manufactured exports more difficult.

In retrospect, Mr. Caton says, Asia's development model contained the seeds of its own destruction.

"Mutually supportive relationships corroded into moral hazard and corruption," he says. "Successful development faced the challenge of evolving sources of comparative advantage, coupled with diminishing investment returns. Increasingly, large and centralized Asian conglomerates struggled to keep up with a faster pace of technological change."

"As countries increasingly competed in the same markets with the same products, overcapacity in certain industries became evident, and an infatuation with the non-traded property sector developed."

"With most Asian currencies tied to the U.S. dollar, China's 1994 devaluation and the weakness of the Japanese yen added to concerns about East Asia's competitiveness. Slowing exports — despite still-solid world growth — in 1996 were the first sign of regional trouble."

With increasing signs of banking trouble and concerns that export growth was not bouncing back as much as expected in early 1997, Thailand was the first country to experience difficulty. Pressure on banks increased as speculative selling of the baht prompted a shortage of foreign reserves. The severe

depreciation of the baht exacerbated the flight of capital from the country, tightened bank liquidity and threatened bank loans held by highly indebted financial and corporate sectors.

A move by domestic borrowers to "hedge" their foreign currency exposure soon led to pressure on the baht, which was made worse by speculators who sensed that interest rate pain involved in defending the managed float would be unbearable for the government.

"Other currencies then fell like dominoes," Mr. Caton says.

Adding to Asia's difficulty has been a buildup in large, unhedged foreign debt exposure by both domestic banks and corporations, possibly more than half of it short-term in nature, thus compounding the refinancing pressure.

The upside risk is that the Asian economies might bounce back quite smartly. In some countries, particularly those that experience the deepest slowdowns, this may well be possible.

In Indonesia, the corporate sector has been hit hard by a falling stock market (and a consequent decline in the value of assets), while holding U.S. debt estimated at more than \$60 billion.

The debt situation faced by Asian nations differs. Most Korean debt is owed by banks, facilitating smooth rescheduling efforts. In Indonesia, Malaysia and Thailand, renegotiation is hampered by the large share of debt owed by individual corporations.

Mr. Caton's analysis points to the key elements that will determine the speed of Asia's economic recovery.

• ASEAN real rates. High interest rates, debt-servicing concerns and a general loss of confidence took a heavy

toll on share markets in 1997. Tentative signs of currency stability, however, have led to generally strengthening markets.

• Asian stock markets. Strong share market bounce-backs seem unlikely. Based on past debt/financial crises, including those in Mexico, Japan and Scandinavia, there will be a bone-crunching slowdown in growth across the Asian region this year, Mr. Caton says. A rule of thumb seems to be that the sharper the early slowdown, the stronger the bounce-back, with Mexico and Japan at polar extremes.

• GDP growth following slowdown. In Southeast Asia, the sharpest slowdowns are expected in Indonesia and Thailand. Both have crippling levels of corporate debt and are subject to tough International Monetary Fund adjustment programs. Of the two, Thailand appears to be more committed to market-friendly reforms. Singapore and Malaysia have faced less financial market pressure to raise interest rates.

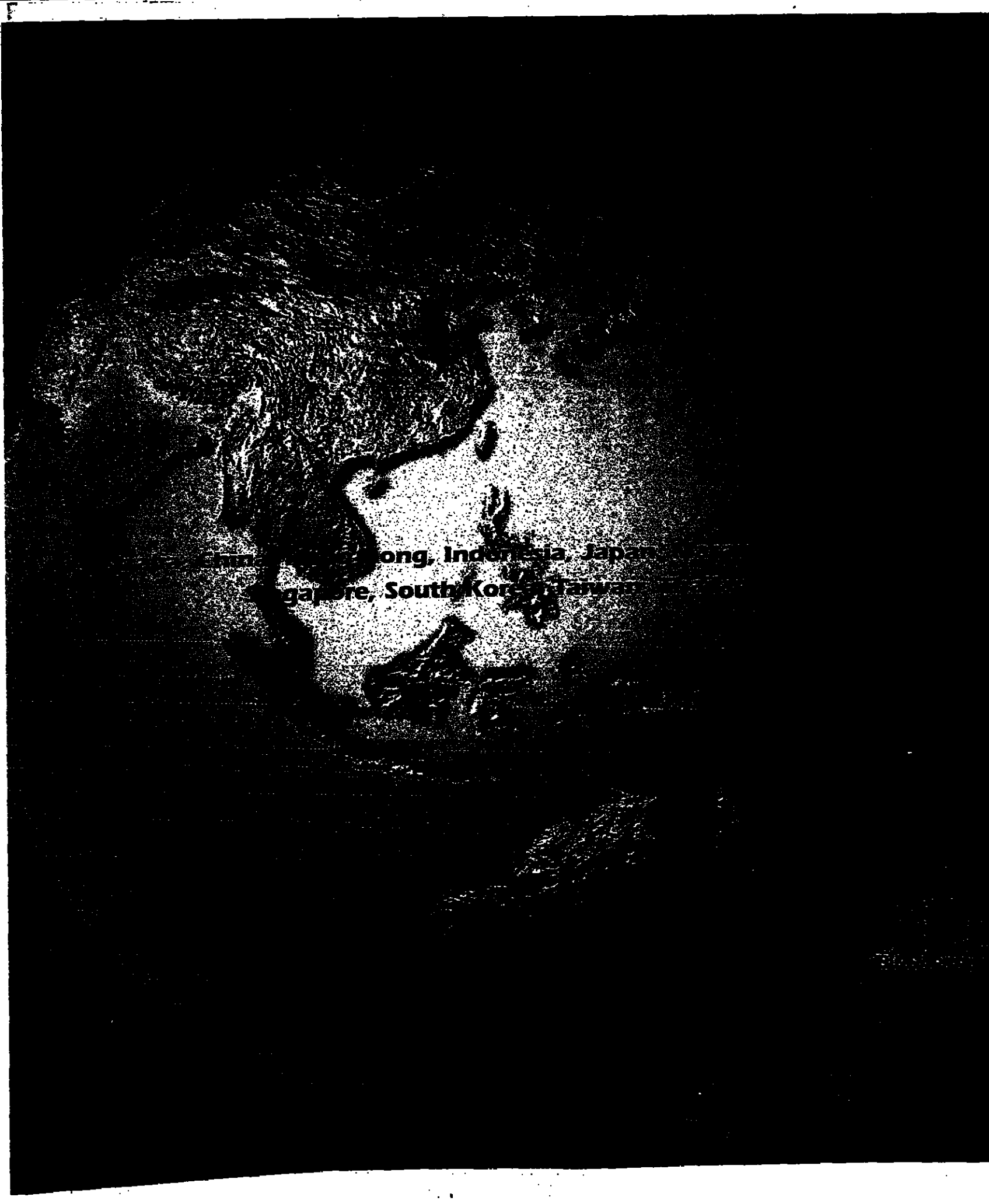
• Growth outlook for Northeast Asia. Economic growth forecasts for the Asian region have been consistently revised downward over recent months, Mr. Caton says, but he still thinks there is further to go.

He says that Bankers' Trust forecasts remain below those of the consensus forecasts mainly because they expect contractions in South Korea and Indonesia to be more severe, and because they are less optimistic about the growth outlook in Hong Kong, Taiwan and Singapore.

"The upside risk is that the Asian economies might bounce back quite smartly," Mr. Caton says, "as in the case of Mexico. In some countries, particularly those that experience the deepest slowdowns, this may well be possible."

"For the region overall, however, the slowdown is likely to be shallower and the recovery somewhat more drawn out, as in the Scandinavian experience."

"ASIA PACIFIC: PERSPECTIVES ON REGIONAL RENEWAL" was produced in its entirety by the Advertising Department of the International Herald Tribune.  
WRITER: Nigel Hopkins, based in Adelaide.  
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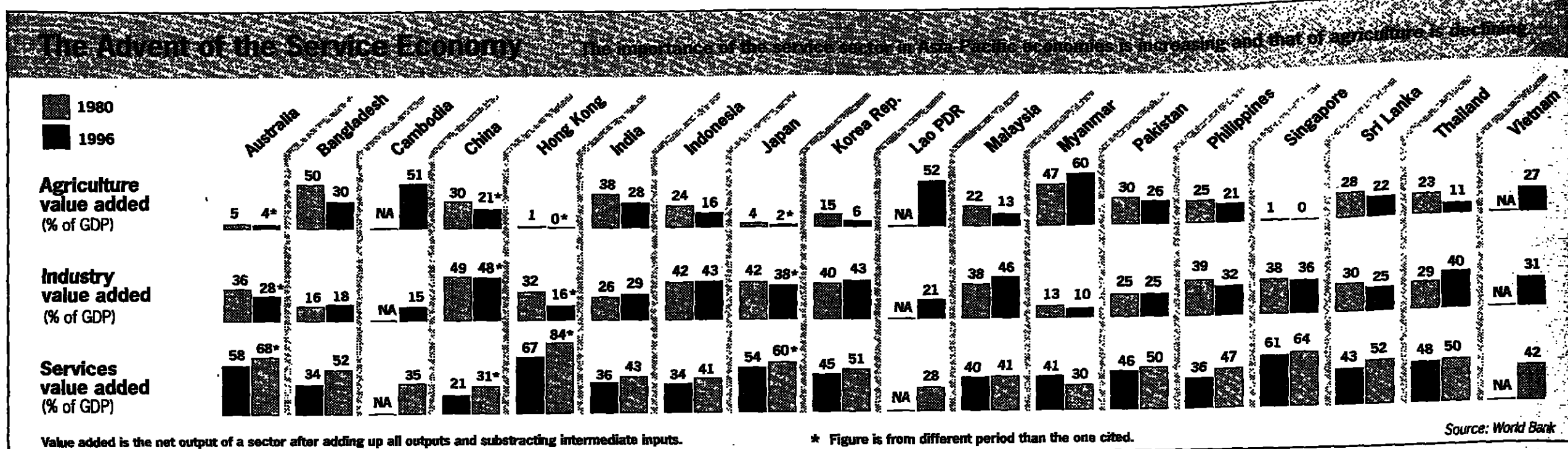
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# ASIA PACIFIC: PERSPECTIVES ON REGIONAL RENEWAL



## THE PROGNOSIS FOR RECOVERED FINANCIAL STRENGTH, COUNTRY BY COUNTRY

Thailand has renewed flexibility, Korea is showing discipline, the Philippines can draw on more funds, Indonesia has pledged to honor its agreements, China has been largely spared, Japan is a concern.

The outlook for Thailand, as well as for South Korea, appears to be looking up. IMF Managing Director Michael Camdessus says that market confidence is probably returning in both of these countries.

The Thai baht and Korean won have both strengthened by more than 40 percent since their respective lows in January and mid-December. In addition, by the beginning of May 1998, the Thai and Korean stock markets had recovered by 15 percent and 10 percent respectively from their levels at the beginning of the year. Some weakening occurred later in the month.

### Adapting to new conditions

In both countries, foreign direct investment and portfolio investment are starting to flow back in again.

"So even though both countries still have large reform agendas, especially in their banking sectors, their financial crises are gradually receding," says Mr. Camdessus. "Of course, much of the pain of adjustment still lies ahead as companies and workers adapt to the new conditions."

Singapore and Malaysia have faced less financial market pressure to raise interest rates. Hong Kong is expected to

maintain its currency peg, though the price could be weakness in property and equity markets, and a slowdown in growth.

### A changing situation

Indonesia's outlook is, of course, the most precarious. Mr. Caton says that once the exchange rate went above 5,000 rupiah to the dollar, most corporate businesses were unable to repay foreign debt, creating a de facto debt moratorium. As inflation increased and public austerity programs took effect, there was an increasing risk of major social unrest—a fear borne out by the riots that led to President Suharto's resignation in May.

Mr. Camdessus says that a lot of time has been lost in Indonesia to "policy slippages" in crucial areas, including monetary policy. "In the meantime," he says, "the rupiah has remained substantially over-depreciated, inflation has picked up sharply, and economic conditions have continued to deteriorate. As a result, the program initially worked out with the IMF last November has had to be renegotiated and strengthened on at least two occasions."

The following is a country-by-country survey by the Australian government's

Austrade agency. It details the degree of IMF aid and the countries' responses.

### Thailand

The government floated the baht, which had been pegged to the U.S. dollar, on July 2, 1997 as speculative pressure on the currency prompted a run on foreign reserves. In August, the government negotiated a \$17.2 billion package with the IMF, contingent upon a number of economic reform measures.

The third IMF letter of intent, announced in February, gives Thailand greater flexibility on fiscal policy, with a target deficit of 1.5 percent of gross domestic product, compared to the previous 1 percent surplus.

Thailand's new bankruptcy laws, providing debtors and creditors with new means of tackling debts without debtors having to be declared bankrupt, came into effect at the end of March.

Under the new IMF program, the government has reaffirmed its commitment to accelerating the privatization of state enterprises, including petroleum, electricity, transportation and telecommunications companies. It has also introduced new revenue measures, including increases in gasoline tax and further increases in excise taxes on beer, wine,

tobacco and various luxury goods.

Major restructuring of the financial and banking sector lies ahead. The government has announced further plans to recapitalize the banking system and return liquidity to the financial system. It also plans to lift restrictions on foreign investment across a number of sectors, though these are not expected till July.

Social pressures are emerging in Thailand, with particular concerns about rising unemployment.

The IMF expects economic growth to slow further this year, and most private forecasts predict that the economy will contract by around 5 percent.

### The Philippines

The Philippines economy has also experienced contagion effects from the region's financial instability, which forced the floating of the peso (previously pegged to the U.S. dollar). Through reforms in the financial system, however—including strong prudential and supervisory controls on banks after 34 years of IMF influence—the Philippines financial sector has managed to remain in relatively good shape.

The Philippines has graduated from the IMF Extended Fund Facility and will be eligible to draw on the remaining \$340 million in the program. The Philippines government has approved a \$1.6 billion IMF stand-by facility. The World Bank recently announced a \$650 million loan to the Philippines, largely aimed at assisting policy reforms in the financial sector.

Since July 1997, the peso has fallen by around 30 percent against the U.S. dollar. Nevertheless, prime lending rates are slowly falling, and the country's stock market has recovered by around 50 percent from its lowest point in late 1997.

The recent presidential elections in the Philippines are expected to have a minimal impact on delivery of the country's economic reform program.

Although IMF and government forecasts for growth in 1998 have been revised downward, they still range from 2.4 percent to 3.8 percent.

### South Korea

President Kim Dae Jung has taken a strong stand in addressing the country's economic problems and implementing the IMF program, although difficult measures still need to be taken. The Korean won suffered contagion effects from speculative pressures on South-east Asian currencies in late 1997.

prompting a balance of payments crisis in December 1997. As a result, the Korean government negotiated a \$58 billion support package with the IMF.

The package involves the tightening of monetary and fiscal policy, plus economic reforms, including a restructuring of the financial sector. A recent agreement to reschedule short-term debt in the banking sector has also helped shore up the financial markets.

South Korea is stepping up its efforts to attract inward investment and, at the end of March 1998, announced plans to liberalize foreign exchange transactions, streamline foreign exchange regulations and reform the country's financial institutions and corporate governance structures.

Nearly 9,500 corporate bankruptcies were reported in the first quarter of 1998, up 50 percent from the previous quarter. With unemployment at around 6 percent to 7 percent, there is growing labor unrest. Indeed, the strikes can be seen as a reaction to the government's efforts to implement IMF reforms.

Because of the liquidity crunch, a sharp slowdown in growth is expected. Official forecasts now suggest a decline in GDP of 2 percent to 3 percent this year, with inflation at around 9 percent.

Nevertheless, a reformed South Korea should be well placed, given its strengths in key industrial sectors, to export its way back to health in the medium term.

### Indonesia

With growth rates of more than 8 percent and relatively low inflation until the regional economic turmoil struck in mid-1997, Indonesia had been regarded by the World Bank and others as one of the best-managed economies in the developing world.

Since July 1997, however, the rupiah has fallen by at least 70 percent against the U.S. dollar and the stock market has fallen by around 20 percent. Corporate sector foreign debt is estimated to be more than \$60 billion.

In November 1997, the Indonesian government negotiated a \$43 billion package of assistance with the IMF. Further significant declines in the currency prompted a new IMF reform package in January 1998 and an amended agreement in April.

The agreement focused on the need for tight monetary policy, with high interest rates and tight liquidity as the means to strengthen the rupiah and reduce inflation.

It underscores the importance of fi-

nancial sector restructuring, fiscal policy strengthening and structural reform.

Reforms undertaken thus far include further bank restructuring, privatization of state enterprises, amendments to outdated bankruptcy laws and increased monitoring of reforms on a daily basis.

Inflation for the period January to April was 33 percent, slowing in April but expected to exceed 10 percent per month in June and July.

The growth forecasts of both the IMF and the Indonesian government have been significantly revised downward, with the latest prediction being a 5 percent contraction in 1998 and a 17 percent inflation target in 1998-99.

After the general election a year ago, President Suharto faced increasing opposition to his rule. He stepped down on May 20 and was replaced by his protégé, B.J. Habibie, in keeping with the country's constitution. President Habibie has promised to follow through on the agreements made with the IMF.

China, Taiwan and Japan Some believe that China has been spared the worst of Asia's turmoil, helped by its largely closed financial market. There has been concern, however, as the tightening of controls on business investment caused a greater-than-expected slowdown in demand and in industrial production in 1997.

The Chinese government was expected to respond by easing its policy this year, but the loss of competitiveness remains a concern because of the continuing fixed exchange rate. Slower growth also would make reform of the heavily subsidized state sector difficult now that unemployment is up. Mr. Caton adds that there is some chance of a Chinese devaluation this year, which could place renewed pressure on both Hong Kong and the rest of Asia.

Taiwan—though fundamentally well placed, with low debt, a trade surplus and a smaller and more adaptable corporate structure—cannot avoid some slowdown. In particular, Taiwan faces a loss of price competitiveness to Korea.

The Japanese economy remains a major concern, and current fiscal packages are not expected to significantly boost growth prospects. Facing a loss of competitiveness to Asian neighbors, a still-fragile financial sector and weak domestic demand following the fiscal tightening in April last year, Japan might be teetering on the verge of a recession.

## RX FOR ASIA: A DOSE OF IMF MEDICINE

The International Monetary Fund's managing director, Michael Camdessus, concedes that the "flexible and pragmatic" programs the IMF has put in place in Thailand, Indonesia and Korea have sparked considerable controversy.

Speaking in Australia at a recent conference on the Asian crisis, Mr. Camdessus said there were those who "missed the traditional IMF approach in what we are doing in Asia.... Indeed, these programs are not the standard fare that many people expect from the IMF."

In 1997, the IMF arranged more than \$100 billion in emergency loans for Indonesia, South Korea and Thailand after the July 2 crash of the Thai baht sent shock waves across Asia.

Mr. Camdessus says that the financial rescue programs focused not on reducing fiscal deficits but on strengthening financial systems, improving governance and transparency, and enhancing domestic competition—factors that were at the heart of what had gone wrong.

"Obviously, there were many factors at work, and it will be some time before we

fully understand the crisis," Mr. Camdessus says. "But certainly one major element was the fact that domestic institutions were not strong enough, and domestic policies were not flexible enough, to meet the increasing demands of economic success."

"As the crisis unfolded, initial doubts about the authorities' commitment to take the necessary steps—such as tightening monetary conditions and closing insolvent financial institutions—put additional pressure on currencies and stock markets."

Long-term outlook Mr. Camdessus says the IMF programs now in place involve closing insolvent financial institutions and writing down shareholders' capital, recapitalizing financial institutions and putting weak ones under close supervision, and increasing foreign participation in domestic financial systems.

The programs also call for the publishing of key economic and financial data on a timely basis; enhancing shareholder rights; breaking the close links between business, banks and governments; and opening up do-

mestic markets that, until now, had been controlled by monopolies to both domestic and foreign competition.

"Certainly, these are not easy times for countries used to growing at 7 to 8 percent a year and with many pressing social needs still to address," Mr. Camdessus says.

But by the time these countries had approached the IMF, the value of their currencies was plummeting and, in the case of Korea and Thailand, their foreign reserves were perilously low.

"Thus, the first priority was—and still is—to restore confidence in their currencies," Mr. Camdessus says.

To do this, countries had to make it more attractive to hold their currencies, and that meant raising interest rates temporarily, even though this complicated the situation of weak banks and corporations and contributed to the slowdown in growth in the immediate period ahead.

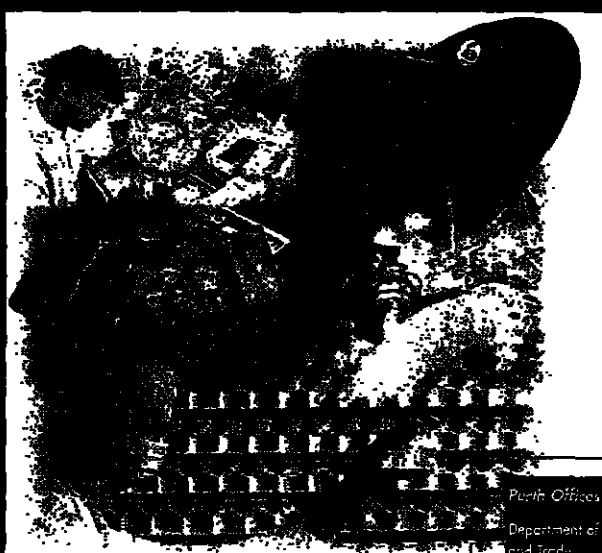
"As confidence is restored, interest rates can return to more normal levels. Indeed, interest rates have already started to decline in Thailand and Korea," he says.

Conversely, when the authorities failed to demon-

### Revised program

In Indonesia, the newly revised program includes temporary subsidies to protect low-income groups from rising prices of food and other essentials. It also provides for higher spending on health and education, including programs to finance essential drugs for health centers, plus scholarships for the needy.

Subsidized credit for small and medium-sized enterprises, labor-intensive public works and temporary employment programs will also help strengthen the social safety net.



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# ASIA PACIFIC: PERSPECTIVES ON REGIONAL RENEWAL

## WAS THE MIRACLE REALLY A MIRAGE?

Asia owes its "miracle" to 30 years of work.

With Asian economies in turmoil, some analysts have said that the "Asian miracle" was a mirage, that the region was merely catching up after a previously low level of development.

Richard Woolcott, formerly one of Australia's most distinguished ambassadors in Asia and the founding director of the AustralAsia Centre of the Asia Society, begs to differ.

"It was certainly not a mirage," he says. "The East Asian growth rates for the last 20 years have been remarkable. It is as if the whole process of development in Europe and America in the 19th century had been compressed into three decades in Asia."

"There never was a miracle," says Asian Development Bank Vice President (Region East) Peter Sullivan. "What there was were 30 years of hard work, good initiative and decent macroeconomic management. The region still has the strongest fundamentals in the developing world."

Chris Caton, chief economist of Bankers Trust Australia, agrees with Mr. Sullivan. Mr. Caton says the real miracle was that Asia was able to harness its competitive advantages and ride the "catch-up" wave when many other developing regions were faltering.

### Real development

In the 30 years between 1966 and 1996, per capita income rose more than sevenfold in Hong Kong, Singapore, South Korea and Taiwan, and fourfold in Southeast Asia and China, Mr. Woolcott points out.

In 1950, Asia — with 66 percent of the world's population — had only 19 percent of world income. By 1996, Asia's share of world income had surged to 33 percent, and it was still rising when the currency crisis struck Thailand last summer.

"The industrial development, the bridges, the gleaming new buildings and the new transport infrastructures in South Korea, Indonesia, Thailand, Malaysia and the Philippines are real," Mr. Woolcott says. "East Asia's impressive economic growth was not a product of clever industrial policy or of Maoist great leaps forward. It was based on an acceptance of market forces and the promotion of exports — in turn based on hard work and a mix of labor-intensive and import substitution strategies — all fired by foreign investment."

"East Asia achieved its growth despite the limitations of its institutions and financial systems. Crony capitalism has been going on for years, even in Japan, and it is curious that there is a tendency now to blame it for the crisis when foreign investors have been well aware of it and been undeterred by it in recent years. The main problem, in fact, was not crony capitalism but bad loans."

One of the most serious examples of bad loans is evident in Indonesia. An inability to repay loans written in U.S. dollars has resulted in the technical bankruptcies of more than three-quarters of publicly listed companies.

Mr. Woolcott remains optimistic about the long term.

"The economic strength that made East Asia so attractive to global investors over the last 20 years — such as high savings rates, an increasingly skilled and educated workforce and substantial infrastructure — may be obscured at present, but it will not disappear. No, the Asian economic miracle was not a mirage."

### Thirty Years of Impressive Growth

Average annual % growth in gross national product

Countries	Total 1965-96	Per capita 1965-96
Australia	3.2	1.6
Bangladesh	3.5	1
China	8.5	5.7
Hong Kong	7.5*	5.6*
India	4.5	2.3
Indonesia	6.7	4.6
Japan	4.5	3.6
Korea Rep.	8.9	7.3
Malaysia	6.8	4.1
Pakistan	5.9	2.7
Philippines	3.5	0.9
Singapore	8.3	6.3
Sri Lanka	4.7	3.1
Thailand	7.3	5
World	3.1	1.2

Source: World Bank

\*Data are for GDP

## FOUR PHASES TOWARD FISCAL HEALTH

An economist outlines four stages in the recovery process.

After the analysis of what went wrong comes the analysis of what happens next as Asian countries try to find their way back to economic stability and growth.

Some of the forecasts are pessimistic, predicting that the regional economy will continue to shrink for the rest of 1998, leading to a more severe regional banking crisis.

According to David Nellor, deputy director of the International Monetary Fund's Asia and Pacific Office, banking crises have tended to follow economic crises.

"Under the best scenario, we are looking to see the trough in regional growth occur in the next couple of quarters," he says, adding that this is contingent on the implementation of reforms and on the assumption that there will be no new shocks.

There is even more intense debate on how long the recovery process will take.

"The honest answer is that no one really knows," says Richard Woolcott, former head of Australia's Department of Foreign Affairs and director of the AustralAsia Centre of the Asia Society.

Toward the end of March, Mr. Woolcott attended the Williamsburg Conference in New Zealand, sponsored by the New York-based Asia Society and attended by around 40 influential people from business, government and think tanks from 18 countries.

"There was a wide range of opinions on the extent and duration of the [Asian] crisis," he says. "The bleakest prognosis was that Japan could go into recession, China could be forced to devalue its currency and would prove unable to deal with its high level of debt. Indonesia would be submerged in social and ethnic violence, and South Korea and Thailand would be unable to recover as quickly as expected. These developments, especially a serious recession in Japan, could lead to a major fall on

Wall Street and to a global recession.

"This is, of course, a worst-case scenario," Mr. Woolcott adds. "The more widely accepted view is that events in China, Japan and Indonesia will be more positive than these dire predictions and that after three years of pain, the East Asian economies would recover. While Indonesia would probably take longer, it would also recover."

The stages A more detailed analysis of the economic recovery process is provided by Saul Eslake, Australia and New Zealand Banking Group chief economist, who sees it occurring in four phases, the first being the Asian financial markets' meltdown.

"These phases are conceptually quite distinct, although in practice the phases may overlap to some extent, and different countries may be at different phases at the same time," Mr. Eslake says.

In the Asian crisis, this first phase lasted about seven months — much longer than the Mexican peso crisis of 1994-95, which lasted about three weeks — and bottomed out in mid- to late January. The delay was largely attributable to the slowness of Asian governments in accepting that major policy changes were required.

The exception was Indonesia, where the meltdown did not really end until as late as April, when it became apparent that a third agreement was likely to be negotiated with the International Monetary Fund. Negotiations are ongoing.

The second phase is characterized by the implementation of policies designed to address the causes of the crisis," Mr. Eslake says.

In most cases, this requires a combination of a tighter monetary policy to stabilize the exchange rate; the establishment of machinery to enable an overhaul of the financial system and

in some cases, a program of structural reforms. Overhaul measures include full disclosure and the severance of bad loans, the use of public funds if necessary to shut down irretrievable institutions and protect depositors' funds, the sale of damaged but viable businesses to new owners and the liquidation of their banking assets, and the strengthening of supervision systems through institutions such as central banks.

Most of the worst-affected Asian countries are now in this second phase, and Indonesia should be soon. Korea has recorded four consecutive monthly current-account surpluses since November, while ASEAN's trade balance has also moved decisively into surplus. (The core group of ASEAN countries registered trading account deficits every month from June 1989 to August 1997.) The ASEAN trade surplus for the six months ending February 1998 was \$10.4 billion — representing a \$21.2 billion turnaround from the previous year.

"It is important to note, however, that this turnaround in Asia's external trade balance is entirely due to the collapse in imports," Mr. Eslake says. "This, in turn, reflects the weakness in domestic demand in these countries, and the breakdowns in financial systems mean that even the most credit-worthy customers are having trouble obtaining trade finance."

Export recovery Such a situation will not be sustainable in the long run, when any real economic recovery will again have to be led by a recovery in exports.

"Not until there are signs of this can it be said that a country has moved into the third phase of the crisis," Mr. Eslake says. This phase is also characterized by a recovery in private investment capital inflow, which requires confidence in government policies, as well as a

decline in inflation that would enable a sustainable reduction in interest rates.

"The Philippines is probably closest to this third stage, than any other Southeast Asian country, with Korea perhaps not in line," Mr. Eslake says. "In general, however, the third phase will not be reached until the second half of this year and can be expected to last until mid-1999."

Inflation and interest rates play important roles in the first three phases. In the first, "meltdown," phase, interest rates soar as governments try to control the run on their currencies. Only when inflation has peaked in the third phase, can inflation rates fall again — and then only if there is market confidence that the exchange rate is not just being propped up by interest rates.

The fourth and final phase, he says, will be reached when the recapitalization of the financial system has been largely accomplished and when private investment and subsequent private investment are recovering.

"For most countries in the Asia region, this phase is likely to be reached by late next year and to continue through a year 2001."

Korea, Thailand and especially Indonesia are likely to have negative growth this year and next, with Indonesia's economy likely to contract by at least 12 percent over this two-year period.

For the rest of East Asia, economic growth will be half to two-thirds the rate attained during the first half of the 1990s, with Taiwan likely to be the least affected of any country in the region.

Official IF predictions are that growth in developing Asia will fall from last year's 6.7 percent to 4.4 percent this year, with real GDP in China's contracted economic strength. The IMF predicts 7 percent growth for China but warns that "possibility of a more pronounced slowdown cannot be excluded."

## SEPARATING THE FACTS AND THE FALLACIES

The Asia-Pacific region's crisis was to some degree foreseeable — and is to a great degree solvable.

The Asian economic crisis is providing business in Australia and other countries with "the chance of a lifetime" to invest in Asia, says Roger Sexton, executive chairman of investment bank Beston Pacific Corporation.

"The Asian economies will recover in due course and regain their momentum of growing at faster rates than developed economies," he says. "The speed at which they recover will depend on the speed with which the governments in the region take action to reform the structure of their economies."

In the meantime, Australia is sitting in the box seat to pick up investments at extremely cheap prices and position itself for the next millennium: "It is generally accepted that the Asian currencies have been oversold by between 15 percent to 70 percent. In addition, assets are being placed on the market by distressed sellers at a time when there are very few domestic buyers. This combination of factors — devalued currencies and devalued asset prices — means it will never be cheaper to invest in the Asia-Pacific region, at least in our lifetime."

Mr. Sexton says that the Asian economic meltdown has given companies the following opportunities:

- To acquire businesses in Asia and add to their core operations at bargain prices.
- To inject equity into high-quality Asian companies that can no longer go the public-listing route.
- To form joint ventures with Asian companies looking for strong financial management, product know-how and technological support.
- To acquire low-priced property assets.

Objective indicators Mr. Sexton believes that much of what has been written about the Asian economic crisis reflects "too much hype and hysteria, and not a great deal of fact or objectivity." He says that several factors about the region's economic situation need to be taken into account.

The first factor is that the economic fundamentals of Asia are strong, and that the Asia-Pacific region will continue to have some of the strongest economic growth in the world. In 1980, the Asia-Pacific region, with nearly 35 percent of the world's population, accounted for 21 percent of the world's gross domestic product. By 1998, the share had increased to 23.4 percent, and it is forecast that by 2010 it will be 31

percent — even taking into account the current economic problems.

Western Europe, by comparison, accounts for 29 percent of the world's GDP, with only 7 percent of the world's population. North America had 30 percent of the world's GDP, again with 7 percent of the world's population.

"The sheer demographics of the Asia-Pacific region, coupled with increasing education, rising standards of living and increasing productivity, has built an engine of growth that will certainly splutter and cough for a while, but sooner or later will resume its momentum," Mr. Sexton says.

The second factor is that the Asian crisis that began last year is structural rather than cyclical.

"Asian export growth slowed down in line with the world economy during 1995-96 but failed to recover with the uplift in global demand in 1996-97," says Mr. Sexton. "What happened during this period, however, was that investment in Asian companies grew rapidly, funded by cheap foreign capital. The warning signs were there."

Much of this new debt-financed investment went into the property and construction sectors, whereas not much attention was devoted to investing in areas that capitalized on the natural advantages of Asian countries, e.g. agriculture, mining and labor-intensive manufacturing.

Coupled with sustained domestic demand, this led to the progressive deterioration of current-account deficits across the region. When investors realized that the economic deterioration was structural rather than cyclical, they withdrew funding for current-account deficits, currencies were forced to devalue and dramatic asset deflation began to take place.

The third factor is that strong Asian growth is expected to resume, but that it will be a different type of growth.

"Fundamentally, the Asian economies haven't changed in that they have large and growing populations, a strong work ethic, high savings rates and a strong emphasis on education," Mr. Sexton points out.

What has changed, however, is that many Asian governments realize they have been profligate, that private-sector expansion was being financed by excessive foreign borrowing and that many loans had been made on risky projects and overvalued assets.

The resulting problems will now have to work themselves out through government austerity measures, corporate insolvencies, asset rationalizations

and company work-outs," says Mr. Sexton.

Debunking the myths According to Mr. Sexton, there are several fallacies, based on miscalculations, associated with the Asian meltdown, that need to be examined by investors in the region.

The first fallacy is that Australian companies will be hard hit, despite the fact that less than 2 percent of assets of Australian-based companies are invested in Asia, and despite the fact that Australian companies' investment in the five countries most affected by the crisis (Indonesia, Malaysia, Thailand, Korea and the Philippines) is only 11 percent of Australia's total investment in the Asia-Pacific region. The same countries account for only 19 percent of Australia's total exports, "still a relatively small part of our trade," Mr. Sexton notes. "More by good luck than judgment, Australian companies... have only a minimal exposure to Asia and will not, as a general rule, be hit hard. It isn't a rational problem; it is a problem for some companies in the short to medium term."

The second fallacy is that the Asian economic crisis will stop growth in Australia. Although Australia's current account deficit is predicted to increase, possibly to 6 percent of GDP, less than a quarter of this increase will have been due to reduced trade, the remainder being attributed to the increased cost of servicing Australia's foreign debt due to the devaluation of the Australian dollar.

Some leading economic commentators are predicting an overall fall in GDP of no more than 0.5 percent.

The third fallacy is that the medicine being prescribed by the International Monetary Fund will solve Asia's crisis.

"It is part of the solution," Mr. Sexton says, "but not an all-consuming part. There is no use trying to fix an economic crisis if the medicine used causes a political crisis or further exacerbates the economic crisis (as in Indonesia). The problem with the IMF prescriptions is that they are deflationary and use high interest rates to prop up currencies and rationalize the banking sectors. Lenders must be prepared to take some losses from derecognizing (as happened in Mexico). The region must slow down its credit growth, rationalize the number of banks and finance companies, reduce current-account deficits, write off bad debts and arrange for debt-to-equity swaps to lessen the debt-servicing burden."

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# ASIA PACIFIC: PERSPECTIVES ON REGIONAL RENEWAL

## LESSONS TO BE LEARNED FOR THE ROAD TO RECOVERY

The recent past will inform Asia's short-term and longer-term future.

The Asian financial crisis is, without doubt, one of the most significant economic events of our time," says Saul Eslake, chief economist of the Australian and New Zealand Banking Group.

"It will almost certainly lead to important changes in the international financial system, as countries seek to find an appropriate balance between the benefits that undoubtedly accrue from gaining access to international capital movements and the potential for instability and other risks that also seem to be much greater in a world of large and highly mobile capital flows."

The causes of the Asian financial crisis have been much analyzed, and there is consensus about the principal elements involved — if not about their relative importance — says Peter Sullivan, vice president (region East), Asian Development Bank. These elements include pegged exchange rates, large private capital inflows, financial sector imbalances and poor oversight of lending.

The de facto pegging of currencies to the U.S. dollar led to appreciation of the currencies as the dollar strengthened. Although declining competitiveness and declining demand caused widening current-account deficits, these were sustained by the capital inflow — in great part in the form of dollar-denominated loans — from abroad.

Restrictions on foreign equity levels and on bond markets led companies to use bank loans for financing. This led to higher than normal, or desirable, levels of debt. The loans were often secured by assets whose prices were greatly overinflated. Later, there was no security left to shore up these loans.

The trigger for the crisis was the 1996 export slowdown. The cyclical downturn in demand for semiconductors, combined with a rising dollar and declining yen, slowed export growth and started to sound alarm bells about future growth prospects. In turn, this threatened the inflow of foreign capital badly needed to sustain current-account deficits. This led to market concerns about exchange rates, bringing pressure on them and leading to their eventual collapse.

### Foreseeable, but not forecastable

What lessons have been learned from the crisis, and what can be done to ward off a repeat of the crisis?

"Without being too prescriptive about it, both countries and capital markets as a whole do require changes to the current set of arrangements to minimize the prospects of something like the Asian crisis happening

again, or at least to minimize the consequences of it," says Mr. Eslake. "But these sorts of things are almost inevitable. The Asian crisis was foreseeable in a sense, but not forecastable."

Mr. Eslake says that a new "financial architecture" must be devised for the world's financial markets, "the sort of processes that are now being developed under the auspices of the IMF and the U.S. Treasury."

The form of a new international system has yet to take shape. "At the moment it's just talk," says Mr. Eslake, "but it's important to get it right, so that's necessary."

Mr. Sullivan agrees: "There has to be a systematic discussion of the implications for global commerce of massive, fickle currency movements."

### Wanted: watchdogs

According to Mr. Eslake, stronger prudential supervision would involve better monitoring of how banks raise the funds that are lent, both in the short and long term and in domestic and foreign markets. It would require monitoring the concentration of their lending portfolios and their consequent exposure to certain industry sectors; the adequacy of their capital; and the disclosure of, and provision for, nonperforming assets.

"In the absence of adequate regulation, banks will take more risks than they should," Mr. Eslake says.

Mr. Sullivan suggests that development of local capital markets, especially bond markets, can provide a source of capital that is both cheaper and less volatile than offshore borrowing.

"East Asia has the savers," he says, "let them have good places to put their money."

### Assessing risk

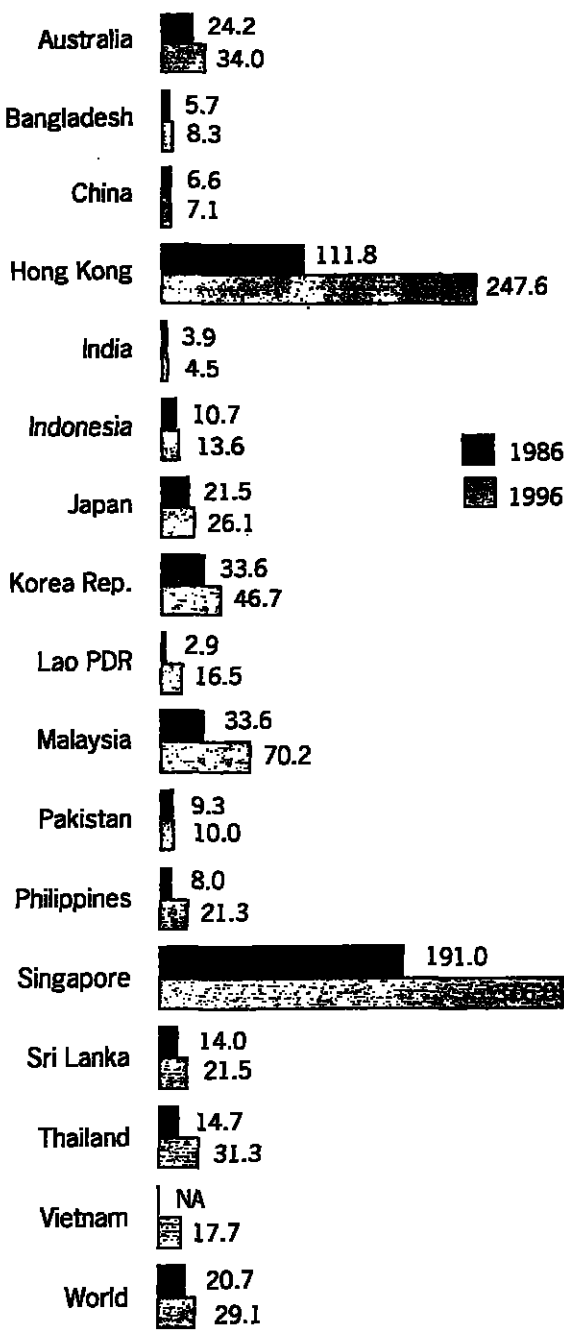
"An important lesson for Western investors is that some of the traditional tools of country risk assessment — which have tended to focus very much on indicators of public-sector performance (such as budget deficits) — and various external indicators (such as foreign debt levels and current-account deficits) are probably less important than we thought," says Mr. Eslake.

"Things such as an accurate assessment of the stability of the financial system, the borrowing and lending behavior of the private sector, the quality and sustainability of business investment, and the accuracy, reliability and completeness of information that's available about both government and the private sector are all-important."

## Buying and Selling On the World Market

Cross-border trade has become an even greater part of national economies over the last decade.

Merchandise exports and imports as a percentage of gross domestic product adjusted for purchasing power parity.



Source: World Bank

## BUILDING A CRITICAL MASS OF BUSINESSES IN SYDNEY

Large financial markets and depth of skills draw international corporations.

The regional uncertainties that began with the transfer of Hong Kong to Chinese control in June last year and have intensified with the current Asian financial crisis have led to growing corporate interest in Australia as a destination for regional headquarters in the Asia-Pacific region.

### Boom in service sector

Sydney, Australia's largest city, is in particular seeing an investment boom in banking, technology and business services, with 90 foreign companies negotiating with the government about basing their Asia-Pacific operations there. These companies, and others currently looking to enter the Australian market, represent around \$8.5 billion in investment and would create up to 30,000 jobs.

Loftus Harris, the director general of the New South Wales Department of State and Regional Development, says that some of his state's greatest success has been in attracting international phone call centers. Of 135 such centers in the Asia-Pacific region, he says, 65 are in Sydney. Next in line are Singapore and Melbourne, with 10 each.

According to Mr. Harris, more than 60 percent of all regional headquarters in Australia are based in Sydney. He says international corporations are increasingly attracted to Australia because of its stable financial, economic and political systems and high standard of living, and the convenience of working in a time zone close to most of Asia's major cities.

In addition, Australia is now strongly capitalizing on its position as an advanced Western-style economy with strong historical, commercial and political links with Europe and North America, but geographically located in Asia and with increasingly strong economic, social and political links with its neighbors.

"However, there is a critical mass factor in which corporations recognize the value of clustering together, and that's what is happening in Sydney," Mr. Harris says.

Of the four internationally recognized finance and business centers in the Asia-Pacific region — Tokyo, Hong Kong, Sydney and Singapore — Tokyo is the clear leader, but Sydney is now in close competition for second place.

### Financial center

The Australian Stock Exchange, based in Sydney, is the third-largest in the Asia-Pacific region, and the Sydney Futures Ex-

change is the second-largest, after Tokyo. The size of the Australian bond market makes it the first in the region.

Underpinning these financial strengths is the fact that the state of New South Wales has the largest economy in Australia and one of the largest economies in the Asia-Pacific region. It is similar in size to those of Indonesia, Thailand and Hong Kong, and significantly larger than those of Singapore, Malaysia and the Philippines.

Sydney's competitive strengths as a regional headquarters location, however, are drawn from more than the muscle of its financial markets. Sydney is one of the most multicultural cities in Asia, with residents who trace their origins to more than 140 different nations. This gives the city a language resource vital to international business, Mr. Harris says, adding that Sydney's second-most commonly spoken language is now Chinese.

"The depth of skills we have available makes it appealing to the corporate sector, especially in financial services," he says.

### Highly skilled workforce

The city provides a highly educated professional workforce, with costs that are relatively lower than those of other Asian cities for comparable staff skills. Turnover rates for professional staff are substantially lower than those of its Asian competitors.

Sydney has the largest pool of computer professionals and financial managers in Australia, is the location of 35 of Australia's 50 top software companies and is Australia's telecommunications center — and is fast emerging as the telecommunications hub of Asia.

More than 40 percent of the top 500 companies in Australia and New Zealand are based in Sydney, which is also the nation's gateway for international business, with 78 percent of the nation's business visitors making it their arrival point.

Around 300 companies have established regional headquarters or regional management operations in Australia, nearly 200 of them in the past three years. With them have come more than 16,000 jobs and more than \$4 billion in investment.

"Attracting regional headquarters is a key element of Australia's investment strategy," says John Moore, Australia's industry minister. "Australia is now a major force in the quest for regional headquarters and enjoys advantages over traditional rivals such as Singapore and Tokyo."

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# ASIA PACIFIC: PERSPECTIVES ON REGIONAL RENEWAL

## NETWORK STRIVES FOR UNBIASED VIEW

TV news balances coverage of controversial issues with sensitivity to cultural sensitivities.

At 8 P.M. local time, just as Hong Kong is starting to settle down for the evening, Australia Television International news anchors go on the air with the day's review of world events. Some 80 million viewers are tuned in.

ATVI's news is widely regarded as having the most comprehensive coverage of the Asia-Pacific region. Its penetration of the region is second only to that of Star TV, and equal to CNN's — which recently hired one of ATVI's top anchors — and the BBC.

Its "footprint" extends from India and Nepal to Beijing and Western Samoa, reaching 22 million homes "that we know of," says

Peter Campbell, the network's general manager.

In a region where government-controlled television news isn't always as candid as Western audiences are accustomed to, Mr. Campbell is acutely aware of the delicate line that his programmers and news reporters must tread.

On the one hand, he says, ATVI wants to address the issues head on and maintain its reputation as a fair and honest broadcaster in a region sometimes hungry for trustworthy news. On the other, it also has to broadcast to widely divergent political, religious and cultural audiences in 33 countries.

The television service was established by the Australian

Broadcasting Commission in 1993 and was acquired by the commercial Seven Network last year. It broadcasts via the Indonesian Palapa C2 satellite and cable rebroadcasts, and is considered to be one of the most influential broadcast platforms in the region.

"Our news programs use ABC correspondents around the region who have built a reputation for fairness," Mr. Campbell says. "The importance of delivering accurate information to the Asian region has never been more important than it is now."

"It would be silly for us to go out of our way to be critical of events in the region, but we won't shy away from the issues, either. Our news broadcasts will be sensible

rather than sanitized. The real focus for a broadcaster now is to be as involved as possible in the region, but without taking sides."

"One criticism in the past of this service was that it appeared to be aimed at Australian expatriate audiences. That's certainly not true now. Our audience is indigenous, English-speaking and probably at the upper end of the market, given the need to have either cable or a satellite dish to receive our service."

ATVI will have in-depth coverage of the region during the Australia Summit. There might even be live broadcasts of the summit, given that Melbourne is in the same time zone as much of ATVI's audience. ●

### Everyone's Problem

The financial crisis is not just Asia's problem. The World Bank expects economic growth to slow globally and in most regions this year, then to begin recovering in 1999.

	'96	'97	'98	'99	2000
WORLD.....	2.9	3.2	2.6	3.1	3.2
HIGH-INCOME ECONOMIES.....	2.5	2.8	2.4	2.6	2.7
LOW- AND MIDDLE-INCOME ECONOMIES					
• East Asia and Pacific.....	8.6	7.8	5.7	6.3	6.7
• Latin America and Caribbean.....	na	4.0	0.7	3.1	4.3
• South Asia.....	na	6.5	5.8	6.1	6.3
• Europe and Central Asia.....	-0.3	2.3	3.0	4.0	5.1
• Middle East & N. Africa.....	4.1	3.1	2.7	3.2	3.5
• Sub-Saharan Africa.....	3.8	3.4	3.4	4.5	4.5

Source: World Bank

## BANK PREDICTS 1999 TURNAROUND

Since the Asian financial crisis unfolded in July last year, the Asian Development Bank (ADB) has responded with the provision of large-scale, quick-disbursing assistance to Thailand and South Korea, in collaboration with the International Monetary Fund (IMF), the World Bank and various bilateral institutions.

Late in 1997, the ADB approved a \$500 million loan to Thailand. The loan supports a program to ease the impact of unemployment and to initiate structural reforms of the economy through the development of human resources. In Korea, the bank's recent assistance includes a loan of \$4 billion to support the financial sector through increased reliance on market forces and independent regulatory oversight.

The ADB, says Vice President (Region East) Peter Sullivan, is also cooperating closely with the IMF and other multilateral and bilateral institutions in providing similar assistance to Indonesia.

Resources have also been used to help the affected countries cushion the social impact of the economic fallout by supporting the delivery of essential services to the most vulnerable people.

The ADB has extended support to small and medium-sized enterprises (SMEs) to enable them to increase exports from Thailand. Through its guarantee operations, the ADB mobilized nearly \$1 billion from the private sector to support export activities.

The bank is also considering similar support for other countries in the region, in addition to technical assistance that it is providing to support implementation of reform packages.

"This year will be a year of weak economic growth for Asia," says Mr. Sullivan, adding that some countries, notably Indonesia, Korea and Thailand, will see their economies shrink.

The ADB expects, however, that recovery will begin in 1999, assuming the necessary reforms are undertaken. It further predicts that, with policy reform and better institutions, Asia will again experience high growth.

South Korea and Thailand are expected to lead the way because Korean President Kim Dae-Jung has been disciplined in implementing the country's IMF program and because Thailand had already made progress in reforming its financial sector before the crisis. ●

## PUBLIC AND PRIVATE SECTORS AT THE AUSTRALIA SUMMIT

The Australia Summit: Regional Renewal Opportunity in a Time of Challenge has been convened by the International Herald Tribune and organized in cooperation with the federal and Victorian governments of Australia. To be held in Melbourne from June 15 to 17, it will focus on the future of Asia and the role and significance of business as a vehicle for change.

More than 30 speakers — including prominent government leaders, company heads and business commentators — will look at the short- and long-term future of the region, government response to the current challenges and private-sector strategies for success.

The chief executive of the Hong Kong Special Administrative Region, Tung Chee Hwa, has been confirmed as keynote speaker. Singapore Minister for Trade and Industry Lee Yock Suan and Thai Deputy Prime Minister Supachai Panitchpakdi will also present papers.

Representatives from Japan and Vietnam, as well as North America, Mexico and India, will join Australian Prime Minister John Howard and Deputy Prime Minister and Trade Minister Tim Fischer for frank discussions about where the region currently stands on the road to recovery and what remains to be done.

Warm welcome Victorian Premier Jeff Kennett extends his welcome to the conference participants.

"As change continues to sweep across the region and further afield at an unprecedented pace, it is timely that we pause to examine our world. The Australia Summit is a key initiative; an opportune and important gathering to look at the issues of regional renewal and how we in government can work together with business to ensure continued growth and prosperity. I look forward to welcoming you to the Australia Summit, to hearing your ideas and sharing some of our own with you, and learning of your plans for growth and continued success."

Peter Sullivan, vice president (Region East), Asian Development Bank, and Jean-Michel Severino, vice president, East Asia and the Pacific Region, the World Bank, will address the issues of infrastructure change and the role of their respective organizations.

Corporate leaders from Australia, Asia, the United Kingdom, continental Europe and the United States will speak on sustainable development and the environment, strategies for maintaining successful multinational companies in a time of upheaval, new applications for technology, the mergers and acquisitions environment in the region and criteria for Asia-Pacific site selection.

Landmark meeting This will be a landmark meeting and one of the most significant in the Asia-Pacific region this year, providing unprecedented networking and learning opportunities.

For delegate registration details, please contact the IHT Australia Summit Secretariat, 123 Erskin Street, Middle Park, Victoria 3206 Australia. Tel.: (61 3) 9636 0899; fax: (61 3) 9686 0922; e-mail: cci@majestic.com.au

### BETWEEN TWO WORLDS: AUSTRALIA'S SPECIAL ROLE IN ASIA

For businesses that have been burned in the past six months of the Asian financial crisis, or that — as in Indonesia — have had to temporarily abandon their businesses, there are moments when it all seems too hard. Perhaps the rewards are simply not worth the risks.

Charles Jamieson, managing director of the Australian trade-development agency Austrade, urges business that have already established a foothold in Asia not to give it up.

"We're telling companies in Australia that if the window of opportunity they've established is now closed in terms of exporting goods and services, we can help them diversify their markets and provide a bridging service so that they can at least keep a pilot light burning in Asia. The fatal thing would be to turn off the pilot light, to turn off the heat altogether, and walk away. The business cultures of these markets don't react very positively to that."

Geoff Tomlinson, chief executive of National Mutual insurance group, says the Asian financial crisis has presented companies such as his with "an opportunity we haven't seen since we

started work in Asia in 1985" to acquire fund management assets and existing life insurance businesses.

With representation in 11 Asian Pacific countries, his company "is one of the biggest in exposure and geographical spread in the foreign insurance business in Asia, and the largest outside the U.S.," he says. "We haven't lost our appetite for Asia."

Richard Woolcott, one of Australia's most senior former diplomats in Asia and the director of the AustralAsia Centre of the Asian Society, believes Australia has a special responsibility to remain closely engaged in Asia, both for economic reasons and because of its supporting role as an "honest broker" in the region.

"Australia occupies a special position in the region," he says. "Unlike European countries or the United States, it is geographically part of the region, for a start, and our major security concerns and our major trading partners are all in East Asia. Apart from that, after China and Japan, Australia is the largest economy in the region and is now the principal destination in the region for overseas tertiary training. For

five of the member countries of ASEAN (Association of Southeast Asian Nations), it is now also the main source of defense training."

There is a danger, Mr. Woolcott says, "that Australians might develop 'Asia fatigue' and turn away in disappointment from engagement with East Asia."

"But we need to remember that this is still the part of the world where we are located; it is our neighborhood, and, after the current economic crises and political transitions have passed, China will still be an enormous influence, Japan will still be a huge economy, and Indonesia will still be our near neighbor of over 200 million people. There can be no turning back... We cannot put a fence around Australia."

"Australia's challenge now," he says, "is to adjust to the new realities of a complex East Asia and to approach them in a calm, reasoned and cooperative manner. Out of this crisis a better East Asia may emerge, in time, which will be economically stronger and sounder. We have the chance to prove now that we are not fairweather friends."

## An investment that charts global territories



Lord Florey received the 1945 Nobel Prize for Physiology and Medicine for developing penicillin.

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Invest in Australia and share with us a wealth of opportunities.



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MONDAY, JUNE 1, 1998

PAGE 19

## Signs of Recession Mount in Malaysia

**KUALA LUMPUR** — Malaysia's economy is almost certainly heading for recession, economists said Sunday after the central bank released data showing a 1.8 percent contraction in first-quarter gross domestic product against the first quarter of 1997.

Bank Negara Malaysia said Saturday that the contraction was led by a severe slump in the construction industry, which shrank 10 percent from a year earlier.

Manufacturing contracted by 2.4 percent and agriculture by 2.8 percent. Only the services and mining sectors expanded, by 2.9 percent and 2 percent respectively. The overall 1.8 percent contraction was the first quarterly contraction in 13 years.

"I think we are already in a recession," a senior analyst with a foreign brokerage said Sunday. "There is nothing to show that anything has changed in the second quarter."

Sani Hamid, an economist at MMS International in Singapore, said the question now was not whether the economy was in recession but "how long and deep it will be."

Analysts have said that Bank Negara could ease interest rates to aid a faster recovery. The central bank has a tough monetary policy that has kept interest rates high and made it difficult for businesses to get loans for expansion.

"The first thing when you have negative growth is to try and bring interest rates down to help the recovery of the economy, but inflation is one main worry," said Mr. Sani. "Your currency would also be weakened by lower interest rates. Getting the right balance is quite tricky."

Bank Negara said Saturday that it expected to see an improvement in the second half of the year. The ringgit has lost about 30 percent of its value against the dollar since the start of the Asian financial crisis in July.

Malaysia last experienced recession in 1985, when the GDP fell by 1.2 percent for the year. The resource-rich country, then heavily dependent on commodities, was dragged down when global prices and demand collapsed. Then, the government accounted for half of Malaysia's total investment while the budget deficit soared and external debts reached dangerous proportions.

The country emerged from the pit by carrying out bold privatization policies and hastening the growth of the manufacturing sector, which now drives economic growth.

But unlike the 1985 crisis and the country now embroiled in the Asian crisis that stemmed from swollen external debts, analysts noted that Malaysia's problems were punctuated by high domestic borrowings and the failure of companies bruised by the crisis to service their loans.

(Reuters, AFP, Bloomberg)

## More Gloom Ahead for Indonesia

### Jakarta Faces Huge Task to Halt Economic Slide, IMF Official Says

**By Seth Mydans**  
New York Times Service

**JAKARTA** — A top official of the International Monetary Fund has said that the economic situation in Indonesia is far worse than earlier estimated and that the Fund will relax its deadlines for the imposition of austerity measures.

The official, Hubert Neiss, who heads the Asia office of the fund, said Saturday that the economy could contract by double the amount the IMF estimated this year as soaring inflation and unemployment take their toll.

"It seems most think the economy could contract this year as much as 10 percent, possibly even more," Mr. Neiss said as he ended a five-day visit here to assess the situation following the resignation of President Suharto. Some private economists say the shrinkage could be as much as 20 percent.

Halting this deterioration, Mr. Neiss said, will be "an enormous task."

"The Indonesian economy is in a serious state and it has deteriorated further," he said, "and the first priority is to stop this deterioration."

He also emphasized that political stability would be crucial to economic recovery. During his visit, he has underscored that priority by meeting with a variety of public figures — both government officials and opposition leaders.

Continuing its new assault on the wealth of Mr. Suharto, who resigned under pressure May 21, Indonesia took a step he had resisted for months, canceling tax breaks for a "national car" program run by his son, Hutomo Mandala Putra, that had become a symbol of the family's self-indulgence.

The daily newspaper *Bisnis Indonesia* also reported Saturday that the government had canceled four port-service contracts owned by Mr. Hutomo.

In addition, the daily *Jakarta Post* reported that police were reviewing contracts with a company owned by Suharto's eldest daughter, Siti Hardiyanti Rukmana, for processing driver's licenses.

The corrupt practices and nepotism of the Suharto government have been a major target of the reforms demanded by the IMF, and with Mr. Suharto's departure, the old system appears to be crumbling. Mr. Neiss said that he would report back to the Fund's headquarters in Washington, where a decision would be made on resuming stalled payments from a \$4.3 billion rescue package originally signed in October.

As he had with political reforms demanded by his people, Mr. Suharto repeatedly made promises to the IMF, only to delay and renege, requiring repeated revisions of his agreements. The

See RUPIAH, Page 21

## Salomon And Nikko Negotiate An Alliance

**TOKYO** — Nikko Securities Co., the third-biggest brokerage in Japan, announced Sunday that it was negotiating an alliance with Salomon Smith Barney.

An executive at Nikko said that further details could not be released because the discussions were continuing.

Travelers Group Inc., Salomon's owners and Nikko's largest shareholder, wants to buy up to 25 percent of Nikko for as much as 200 billion yen (\$1.44 billion), the Nihon Keizai business daily reported. The deal would surpass the stake held by Bank of Tokyo-Mitsubishi.

Travelers is in the process of acquiring Citicorp of New York to form the world's biggest financial company.

Sources close to the deal said that Nikko and Salomon were aiming to establish a joint securities firm, perhaps by the end of this year.

The firm would manage such financial products as derivatives, underwrite securities and engineer large-scale sales of securities to corporate customers, the report said. Salomon would ultimately manage corporate business while leaving Nikko to specialize in the retail business.

The Nikko-Salomon talks follow more than a dozen alliances announced by foreign and Japanese financial companies in the past year. The foreign firms — Merrill Lynch & Co., Goldman Sachs & Co. and Fidelity Investments — are teaming up with Japanese companies to grab a slice of the 1,200 trillion yen (\$8.7 trillion) in financial assets owned by Japanese investors.

So the report of the Nikko-Salomon talks served to push up the volume of the shake-up of Japan's "Big Bang" securities industry.

"Foreign houses with know-how in developing sophisticated financial products see 'Big Bang' deregulation as an opportunity to make a full-fledged entry into Japan," said Brian Waterhouse, an analyst at HSBC Securities Japan Ltd.

Japanese financial institutions, meanwhile, are besieged by scandals and mounting problem loans, even as they brace for greater competition stemming from Big Bang deregulation.

Ensnared for decades in a highly protective market, Japanese banks and brokerages have not developed an expertise in fashioning sophisticated financial products or in international asset management.

Now many of them are considering alliances with a foreign-owned firm to learn such skills to survive.

(Bloomberg, Reuters)



The dealing room in 1951 at Generale de Banque in Brussels, left; the modern facility in the Horta tower at the main office of the bank, which has just celebrated its 175th anniversary.



## Irony Rewriting of History in Battle for Belgium's Largest Bank

**By Barry James**  
International Herald Tribune

**BRUSSELS** — Whoever wins the bidding war for Belgium's largest banking corporation, Generale de Banque SA, will also be acquiring a substantial slice of the country's history.

The bank, which has just celebrated its 175th anniversary, is older than the nation itself.

Although founded by a Dutch monarch, the bank became synonymous with the country's French-speaking plutocracy as it financed Belgium's industrial revolution in the 19th century. Until the middle of the 1960s, it banned the use of the Dutch language in its head office and even in administrative offices in the northern part of the country.

But now, it appears likely it will be acquired by either ABN-AMRO Holding NV of the Netherlands or the Dutch-Belgian financial conglomerate Fortis Group. The proposed takeover by one or the other is part of a major restructuring of the financial services industry in Europe, which is likely to accelerate with the adoption of the European single currency, the euro, in January.

Financial analysts say the struggle for the control of Generale is a dramatic example of how the euro is breaking down national barriers and creating a large unified market in which only the big players capable of operating on a continental scale are likely to survive.

Generale's board met Friday to consider the offers, and Belgian newspapers reported that Fortis was selected on the condition that it matches AMRO's offer. Generale executives were not immediately available for comment.

Fortis appears to offer the best hope that Generale can survive as an autonomous Belgian bank. It proposes to melt its insurance and other interests in the Netherlands with Generale's bank-

ing activities to create a diversified financial group.

After months of talks, the deal appeared to be sewn up, with Fortis offering an all-stock deal to exchange seven of its shares for every three of the bank's shares.

But AMRO stepped in last week with a counter-offer of 24.5 billion Dutch guilders (\$12.19 billion) in shares and cash to buy 100 percent of Generale — an offer that, on the day it was made, was more valuable to Generale shareholders than the Fortis bid by more than 15 percent.

After AMRO shares declined, the holding company said it would add up to 3 guilders a share to hold the value of its bid at 27.095 Belgian francs (\$736.38) for each Generale share.

AMRO's unexpected shock the clubby world of Dutch banking.

Hans Bartelds, the president of Fortis's Dutch operations, Fortis Amey NV, was visibly angered by what he called a hos-

te takeover bid. Fortis shareholders will meet Friday to decide whether to top AMRO's offer, and the formal bidding is likely to start the following week.

An AMRO purchase would be the second sale of a major Belgian bank to Dutch owners in a matter of months, with the Brussels-Lambert bank BBL, now part of Internationale Nederlanden Groep NV.

It is a kind of rewriting of history.

William I of Orange, the ruler of the United Kingdom of the Netherlands, set up the General Company of the Netherlands for National Industry in 1822, endowed it with crown lands in the southern part of his realm — in effect, a way of turning real estate into cash — and established its headquarters in Brussels.

After the 1830 revolution that created an independent Belgium, the bank became chief financier to the young state and for a while issued the nation's currency.

It formed close links with France and

particularly the Rothschilds as it developed into a major holding company. The company provided the capital and often the management for the coal-mining and heavy industries of Wallonia. It built railroads in Mexico, Brazil, Argentina, Russia and the Ottoman Empire. It funded the world's first purpose-built shopping mall, the Galeries Saint-Hubert in Brussels. And it was the chief financier for Belgium's colonial expansion in the Congo.

The holding company and the bank were split into separate units in 1934. In 1988, the French Suez group acquired the holding company, Societe Generale, after an epic battle with the Italian financier Carlo De Benedetti. Societe Generale de Belgique is still the bank's principal owner, with 29.7 percent of the capital.

AMRO sought an alliance with Generale in the 1980s, but Suez, which opposed Dutch participation in the bank, stopped the move.

See RUPIAH, Page 21

## CYBERSCAPE

## Address Your Search With Care: Sites Benefit From Surfers' Typos

**By Linton Weeks**  
Washington Post Service

**WASHINGTON** — Everybody makes mistakes.

Especially when typing in those pesky Internet addresses. Now some companies are turning your gaffes into gold.

Say you want to order a book from Amazon.com Inc., the on-line bookstore. You log onto the World Wide Web and type the bookstore's address into the little box at the top of the screen. By

accident you write "Amazon" (with an m on the end) instead of "Amazon."

Sure enough, a bookstore's page appears. At least it looks like a bookstore's page. Search the Book Stacks, it says. And you can type in the name of the book or author you're looking for. The search, however, does not take you to the stacks of the Seattle-based Amazon.com, but to the site of Books.com, a rival outfit based in Cleveland that has been on the Internet in one form or another since 1991.

Or say you're looking for the Web site of Ford Motor Co., but, silly you, you transpouse a couple of letters, the "o" and the "r." You'll wind up at Murray's Auto Supply in Miami, a company that registered the faux pas.

How insidious! How ingenious! All around the Web, sites are springing up that make hay of human errors. Whoever thought of such a scam?

Amazon (with an m on the end) and Murray's are independently owned operations. But Robert Hoffer, founder of

TypoNet, believes he may have been the first to see opportunity in doofuses who can't type straight.

"I think unfortunately I'm the guy who started this whole mess," said Mr. Hoffer, 34. His company is in Mountain View, California, in the same building as a group that searches for extraterrestrial life.

Mr. Hoffer explains that every day, countless people make mistakes while typing in the uniform resource locator, or URL, of a company or an organization. Usually, the URL is preceded by three W's in a row to tell the machine to go to the World Wide Web. That, Mr. Hoffer says, is where most folks foul up.

"For someone who is a touch typist, or someone who's not," Mr. Hoffer said, "the construct 'www' misfocuses your energy and attention so that the next thing you type after that will be a mistake."

Often people who bang in the wrong address wind up with what is known as a "404 Object Not Found" page. This tells you that there is no such URL on the Internet.

But "404 resolves too slowly," Mr. Hoffer said. If, however, the mistaken page has been commandeered by Mr. Hoffer and TypoNet, the person who screws up is whisked first to some ads, then to the correct page, he says.

Mr. Hoffer and his partner, Timothy Kay, have registered domain names — about 80 or so — that are perilously close to the real things. TypoNet, for instance, owns the rights to www.Micorsoft.com

and www.Yaho.com, bastardizations of sites belonging to Microsoft Corp. and the Yahoo Inc. search engine.

"We started TypoNet with the intention of helping the user," Mr. Hoffer says. "We wanted to pass them along to the proper URLs." So if you enter "yaho" instead of "Yahoo," you are transported to a TypoNet page for just a few moments, then to the page that presumably you wanted in the first place. Oh yeah, while you are on the TypoNet page, you have to stare at an advertisement or two.

Mr. Hoffer says he is adamant against the practice of companies, like Amazon (with an m on the end), that "steal traffic into their domains."

To him, that is address rustling.

"We know you made a mistake," he said. "We're just passing you along to the URL you wanted. We solved your problem and we showed you an ad."

Kay Dangaard of Amazon.com said her company was aware of those who profit from others' missteps. "We keep an eye on the sites," she said, "to make sure our customers are not being misled."

Mr. Hoffer says that lots of companies are doing what he does. "The industry of typographical errors has grown up," he said.

Internet address:  
CyberScape@iht.com

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## CURRENCY RATES

Cross Rates										June 2	
	S	£	D.M.	F.F.	Lin	D.F.	B.F.	S.	Yen	C	Pesos
Australian	2.805	1.279	1.122	2.818	8.144	—	5.464	1.283	1.406	1.335	1.207
Canadian	2.705	1.279	1.039	1.151	2.807	1.333	—	2.016	1.285	1.285	2.016
French	1.667	1.279	—	—	—	—	1.000	1.286	1.286	1.228	1.1778
German	1.636	1.279	—	—	—	—	—	1.286	1.286	1.228	1.1778
Italian	1.936	1.279	1.002	2.864	1.369	3.913	2.41	2.868	1.281	1.281	2.868
Japanese	150.82	1.279	1.044	2.537	3.619	1.011	10.124	1.067	1.067	1.067	1.067
Swiss	1.475	1.279	1.002	2.864	1.369	3.913	2.41	2.868	1.281	1.281	2.868
UK	0.656	1.279	1.002	2.864	1.369	3.913	2.41	2.868	1.281	1.281	2.868
US	0.746	1.279	1.002	2.864	1.369	3.913	2.41	2.868	1.281	1.281	2.868
Other Dollar Values											
Argentine	—	1.6882	—	—	1.3407	0.103	0.024	1.315	1.404	1.5146	—
Australian	1.613	1.279	1.002	—	—	—	—	1.281	1.281	1.281	—
British	1.5247	1.279	1.002	2.35	0.88	3.789	9.91	1.281	1.281	1.281	—
Canadian	1.634	1.279	1.035	2.32	0.887	0.725	3.931	1.281	1.281	1.281	—
Chinese	1.479	1.279	1.002	2.35	0.887	0.725	3.931	1.281	1.281	1.281	—
Chinese	1.116	1.088	1.002	2.35	0.887	0.725	3.931	1.281	1.281	1.281	—
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Chinese	1.354	1.089	1.002	2.35	0.887	0.725	3.931	1.281	1.281	1.281	—
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Chinese	1.354	1.089	1.002	2.35	0.887	0.725	3.931	1.281	1.281	1.281	—
Chinese	1.354	1.089	1.002	2.35	0.887	0.725	3.931	1.281	1.281	1.281	—
Chinese	1.354	1.089	1.002	2.35	0.887	0.725	3.931	1.281	1.		

## A Chinese Takeover in Taiwan

**TAIPEI** — In the first ever takeover of a Taiwan entity by a mainland-based company, Ting Hsin International Group of China has gained control of Wei-Chuan Foods Corp., skirting a Taipei ban on such transactions.

The takeover symbolizes the close business ties across the Taiwan Strait, analysts said Saturday.

Taipei has banned mainland companies from investing in Taiwan, fearing Taiwan's economy could be eventually absorbed by China if business ties develop unchecked.

To skirt the ban, Ting Hsin purchased Wei-Chuan shares through two affiliates: the Hong Kong-listed Tingyi Holdings Corp. and the Cayman Islands-registered Ting Hsin Corp.

Taipei will grant Ting Hsin approval for the takeover only if Chinese funding does not exceed one-third of the company's total capitalization, said Lin Kao-ming, an Investment Commission official.

Ting Hsin Group, founded this decade by brothers from Taiwan, has become a top food company in China. Its "Master Kang" brand of instant noodles dominates the Chinese market.

Wei-Chuan, established 45 years ago, is Taiwan's second largest food company.

At a shareholders' meeting Saturday, Ting

Hsin's Wei Ying-hsin was elected chairman of Wei-Chuan, replacing Thomas Huang, who is heir of founder Huang Lei-hou. Ting Hsin also got control of 10 of the 15 board directors.

Taking over the listed Taiwan company with its large assets, Ting Hsin expects to gain valuable production technology and raise the much-needed funds from the Taiwan market.

Despite the political sensitivities, some analysts viewed the takeover positively.

"It is the Wei brothers' way to contribute to the Taiwan society after making their fortune in China," said Huang Yao-teh, a food analyst at Core Pacific Securities.

In mid-1995, Beijing froze what had been slowly warming semi-official contacts with Taipei, prompting the Nationalist government to grow more cautious about its policy on investment in the Chinese mainland.

In May 1997, Taipei banned investment in mainland infrastructure to avoid the political vulnerability that could come with becoming over-dependent on its rival's huge economy.

At the same time, however, Taipei lifted restrictions on more than 400 categories of mainland investment, including travel agencies, hotels, recreation facilities, warehouses, and car and motorcycle parts.

(AP, Reuters)

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## CAPITAL MARKETS ON MONDAY

## Investors Are Holding Their Breath Until Greenspan Testifies Next Week

**Bridge News**  
NEW YORK — While U.S. Treasury bond prices benefited last week from the flight of funds from the market turmoil in Russia and Asia, prices are likely to be stagnant this week as investors await remarks from Alan Greenspan, the Federal Reserve Board chairman.

Mr. Greenspan will testify on the economy and monetary policy June 10 before the Joint Economic Committee of Congress, and traders are beginning to worry that he might say something to indicate that the central bank will tighten policy soon.

Fears of a rate increase have subsided in the last few weeks as problems flared in Russia and again in Asia.

In the last week, Moody's Investors Service Inc. downgraded five major Japanese banks, Hong Kong reported that gross domestic product fell 2 percent in the first quarter from a year earlier, Pakistan followed India in exploding a nuclear device and the Rus-

sian central bank tripled its financing rate to 150 percent in an effort to support the ruble.

But the announcement that Mr. Greenspan would speak to a congressional committee sent rate shivers right

back into the market. Until the Fed announced the June 10 appearance, investors had said that Mr. Greenspan's next big opportunity to send the market a signal on interest rates would be in July.

"Greenspan's newly scheduled testimony on June 10 will be the determining factor for the market tone over the next week and a half," said Hugh Whelan, a senior vice president in the fixed-income group at Aetna Investment Management. "No matter what you think he will say or how they'll move at the June 30 meeting, the fear has got to be what he might say."

The policy-making Federal Open Market Committee meets June 30.

Some traders say there is no way that Mr. Greenspan will sound hawkish given events outside the United States.

A bond trader described the international situation as having deteriorated from a collection of brush fires to "a lot of major conflagrations," adding, "Things are far too fragile for Greenspan to get up and talk tough about anything."

"The engine of growth in the Far East, Japan, is in reverse, and it's rolling over people," he said, adding that events in international markets had been moving too fast for U.S. bond investors to keep up.

By the end of the summer, he predicted, the bond market will be looking for a Fed easing instead of a tightening. If Mr. Greenspan changes his tune at all June 10, he said, it will be to make it clear that no tightening is on the horizon.

Paul Kasriel, chief domestic economist at Northern Trust Co., also said that the bond market decided recently that the "Fed is going nowhere for the foreseeable future."

But he said it could easily shift back to worrying about a tightening if May price indexes were sharply higher, as they were in April.

Mr. Kasriel said investors who are bullish on Treasury bonds tended to be too pessimistic about the outlook for Japan and to underestimate the impact that Tokyo's 16.5 trillion yen (\$120.39 billion) in additional government spending will have on the economy.

"I think we're likely to get better numbers out of Japan by the fourth quarter of this year," he said, and once Japan turns, "then the whole sentiment is going to turn."

While there's little focus on Europe, he added, "Continental Europe is doing better, and parts are positively booming."

But Mr. Whelan said: "You have a Fed that, at least according to their rhetoric, is concerned about an economy is going too fast. At this point, you would have to have a collapse of 20 percent or better on stocks, or evidence of a recession, to cause easing."

The yield on the benchmark 30-year Treasury bond finished last week at 5.80 percent, down from 5.90 percent a week earlier.

Economic data scheduled for release this week include the first big reports for May: the National Association of Purchasing Management index, due Monday, and employment data, due Friday.

Revisions to first-quarter U.S. gross domestic product, issued Thursday, showed that inventories surged in the quarter, a development that economists say is likely to slow growth in the second quarter, and the Chicago Purchasing Managers' Index suggested that slowing might already be under way. Traders will be watching to see whether

the national purchasing managers' data for May reinforce the Chicago report.

Also next week, the national association will introduce a monthly measure of manufacturing activity, which will cover everything from agriculture and construction to services and government. Since manufacturing now makes up only about 20 percent of the U.S. economy, analysts say they welcome a monthly reading on the rest. But it may take market participants time to get a good sense of how the new association measure corresponds with other data.

For the May nonfarm payrolls report, most economists have predicted a moderate gain, with the consensus calling for an increase of 225,000 jobs. So far this year, the average monthly gain has been 224,000. Analysts say while such an increase would show employment growth had slowed from its unsustainable pace of late last year, it still would indicate a tight labor market.

## Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending June 2. Prices supplied by Telekurs.

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	90 Germany	7%	12/26/02	110.4588	4.4400
2	103 Treasury	5%	04/29/99	101.7300	5.6800
3	111 Germany	6%	09/15/99	102.5100	4.5200
4	109 Germany	6%	02/22/01	100.8460	4.8400
5	116 Germany	8%	12/26/00	111.0800	7.9900

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	118 Treasury	6%	07/01/99	102.0000	4.2100
2	121 Germany	5%	09/26/16	104.2500	5.4000
3	122 Portugal	5.45%	05/29/12	101.5000	5.7900
4	126 Treasury	6%	11/12/03	104.6767	5.6200
5	128 Germany	6%	01/04/98	97.7778	5.9500

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	131 Austria	5	01/15/08	100.2500	4.9900
2	96 Britain	7	06/07/02	103.2190	4.7800
3	97 Britain	7	12/07/02	102.6250	4.6400
4	137 Britain	7	01/15/03	95.8554	7.2100
5	138 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	139 Britain	7	01/15/03	95.8554	7.2100
2	140 Britain	7	01/15/03	95.8554	7.2100
3	141 Britain	7	01/15/03	95.8554	7.2100
4	142 Britain	7	01/15/03	95.8554	7.2100
5	143 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	144 Britain	7	01/15/03	95.8554	7.2100
2	145 Britain	7	01/15/03	95.8554	7.2100
3	146 Britain	7	01/15/03	95.8554	7.2100
4	147 Britain	7	01/15/03	95.8554	7.2100
5	148 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	149 Britain	7	01/15/03	95.8554	7.2100
2	150 Britain	7	01/15/03	95.8554	7.2100
3	151 Britain	7	01/15/03	95.8554	7.2100
4	152 Britain	7	01/15/03	95.8554	7.2100
5	153 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	154 Britain	7	01/15/03	95.8554	7.2100
2	155 Britain	7	01/15/03	95.8554	7.2100
3	156 Britain	7	01/15/03	95.8554	7.2100
4	157 Britain	7	01/15/03	95.8554	7.2100
5	158 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	159 Britain	7	01/15/03	95.8554	7.2100
2	160 Britain	7	01/15/03	95.8554	7.2100
3	161 Britain	7	01/15/03	95.8554	7.2100
4	162 Britain	7	01/15/03	95.8554	7.2100
5	163 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	164 Britain	7	01/15/03	95.8554	7.2100
2	165 Britain	7	01/15/03	95.8554	7.2100
3	166 Britain	7	01/15/03	95.8554	7.2100
4	167 Britain	7	01/15/03	95.8554	7.2100
5	168 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	169 Britain	7	01/15/03	95.8554	7.2100
2	170 Britain	7	01/15/03	95.8554	7.2100
3	171 Britain	7	01/15/03	95.8554	7.2100
4	172 Britain	7	01/15/03	95.8554	7.2100
5	173 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	174 Britain	7	01/15/03	95.8554	7.2100
2	175 Britain	7	01/15/03	95.8554	7.2100
3	176 Britain	7	01/15/03	95.8554	7.2100
4	177 Britain	7	01/15/03	95.8554	7.2100
5	178 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	179 Britain	7	01/15/03	95.8554	7.2100
2	180 Britain	7	01/15/03	95.8554	7.2100
3	181 Britain	7	01/15/03	95.8554	7.2100
4	182 Britain	7	01/15/03	95.8554	7.2100
5	183 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	184 Britain	7	01/15/03	95.8554	7.2100
2	185 Britain	7	01/15/03	95.8554	7.2100
3	186 Britain	7	01/15/03	95.8554	7.2100
4	187 Britain	7	01/15/03	95.8554	7.2100
5	188 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	189 Britain	7	01/15/03	95.8554	7.2100
2	190 Britain	7	01/15/03	95.8554	7.2100
3	191 Britain	7	01/15/03	95.8554	7.2100
4	192 Britain	7	01/15/03	95.8554	7.2100
5	193 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	194 Britain	7	01/15/03	95.8554	7.2100
2	195 Britain	7	01/15/03	95.8554	7.2100
3	196 Britain	7	01/15/03	95.8554	7.2100
4	197 Britain	7	01/15/03	95.8554	7.2100
5	198 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	199 Britain	7	01/15/03	95.8554	7.2100
2	200 Britain	7	01/15/03	95.8554	7.2100
3	201 Britain	7	01/15/03	95.8554	7.2100
4	202 Britain	7	01/15/03	95.8554	7.2100
5	203 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	204 Britain	7	01/15/03	95.8554	7.2100
2	205 Britain	7	01/15/03	95.8554	7.2100
3	206 Britain	7	01/15/03	95.8554	7.2100
4	207 Britain	7	01/15/03	95.8554	7.2100
5	208 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	209 Britain	7	01/15/03	95.8554	7.2100
2	210 Britain	7	01/15/03	95.8554	7.2100
3	211 Britain	7	01/15/03	95.8554	7.2100
4	212 Britain	7	01/15/03	95.8554	7.2100
5	213 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	214 Britain	7	01/15/03	95.8554	7.2100
2	215 Britain	7	01/15/03	95.8554	7.2100
3	216 Britain	7	01/15/03	95.8554	7.2100
4	217 Britain	7	01/15/03	95.8554	7.2100
5	218 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	219 Britain	7	01/15/03	95.8554	7.2100
2	220 Britain	7	01/15/03	95.8554	7.2100
3	221 Britain	7	01/15/03	95.8554	7.2100
4	222 Britain	7	01/15/03	95.8554	7.2100
5	223 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	224 Britain	7	01/15/03	95.8554	7.2100
2	225 Britain	7	01/15/03	95.8554	7.2100
3	226 Britain	7	01/15/03	95.8554	7.2100
4	227 Britain	7	01/15/03	95.8554	7.2100
5	228 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	229 Britain	7	01/15/03	95.8554	7.2100
2	230 Britain	7	01/15/03	95.8554	7.2100
3	231 Britain	7	01/15/03	95.8554	7.2100
4	232 Britain	7	01/15/03	95.8554	7.2100
5	233 Britain	7	01/15/03	95.8554	7.2100

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	234 Britain	7	01/15/03	95.8554	7.2100
2	235 Britain	7	01/15/03	95.8554	7.2100
3	236 Britain	7	01/15/03	95.8554	7.2100
4	237 Britain	7	01/15/03	95.8554	7.2100
5	238 Britain	7	01/15/03	95.8554	7.2100

## Rush to the Dollar Slows Bond Issues

By Carl Gewirtz  
International Herald Tribune

PARIS — The taste for risk went out of fashion again last week as renewed distress in emerging markets in Asia and Russia sent investors running for safety — into the dollar and into the U.S. Treasury market as well as other government-bond markets.

J.P. Morgan & Co. reported that its global government bond index rose 1.16 percent in local-currency terms in May, the ninth consecutive monthly gain. The biggest gains last month were registered in Australia, up 2.5 percent; Sweden, 1.8 percent, and Japan, 1.5 percent. But its index for bonds in emerging markets fell 3.4 percent.

New-issue activity in the international capital market slowed markedly with some large issues — such as Rabobank Group's planned sale of \$1 billion worth of 10-year bonds — postponed until conditions settled.

Those who thought they could brave the climate were shown to be mistaken. Austria sold 1 billion Deutsche marks (\$561.1 million) of 10-year bonds at 0.36 percentage point or six basis points, over German government rates, but the bonds ended the week at a spread

of nine basis points over German rates. The dollar finished the week at a seven-year high versus the yen — an advance widely forecast due to a recessionary conditions in Japan. The dollar traded at a high of 139.25 yen before ending the week at 138.85 yen.

Currency traders said that fear of intervention by the Bank of Japan was preventing an even sharper decline in the value of the yen. In late April, the central bank spent about 10 percent of its reserves supporting the currency.

Despite their fears, dealers said they doubted that the central bank would intervene so long as the yen only inched lower. Officials, they said, are aware that speculators will seize any effort to push the yen up as an opportunity to dump the currency at a more favorable price.

The surprise was the dollar's performance versus the Deutsche mark. The dollar had tumbled the previous week to 1.7545 DM, a low not seen since the beginning of the year, on optimism about the creation of the euro, the single European currency, and expectations that short-term interest rates would turn sharply in the mark's favor as growth in Europe accelerated this year while U.S. growth abated.

Then suddenly the dollar was back in

## Small Firms Start Looking Good Again

Bloomberg News  
NEW YORK — Shares of small companies could be the first to make a comeback this week as investors buy shares at cut-rate prices after a month-long decline in the U.S. stock market.



Disarmament

سكرا من الاصل

## Cut-Rate Caskets Inspire A Feud With Mortuaries

### Change in U.S. Law Opens Competition

**The Associated Press**  
**NEW YORK** — Even in death, a bargain is a bargain.  
And this is a big one: a casket for up to 75 percent less than the price charged by funeral homes, with delivery anywhere in the United States at any time and a choice of 40 styles.  
The deal offered by Direct Casket started after the Federal Trade Commission told the 23,000 U.S. funeral homes several years ago that they had to accept caskets purchased elsewhere and could not charge a handling fee for doing so.  
The change has helped fuel a morbid competition, a sort of a David vs. Goliath bout between big mortuaries and small retailers.  
Small wonder: The average cost of burying someone now hovers around \$5,000, with the casket the single most expensive item, at about half the total.  
Direct Casket opened a storefront shop last week in New York City. The sign on its awning reads, "Caskets Sold Directly To Consumers. 1-800-73-CASKET."  
Shiny open coffins with price tags are visible to pedestrians peering through the shop windows. The markup is 100 percent, but at funeral homes it sometimes is 300 percent to 500 percent.  
"I saw an ad in the paper that caught my eye — 75 percent off," said Robert Rawls, who bought a casket in which to bury his brother. "And then, it was almost like walking into a department store, very comfortable. It didn't keep you feeling down."  
For \$1,195, he got "Going Home," a steel casket with a blue crepe interior. It

cost \$1,400 less than a comparable one at the average funeral home, said Ray Silvas, president of Direct Casket.  
After the 1994 trade commission ruling, the Van Nuys, California-based company helped break a virtual lock on casket sales by funeral directors. Mr. Silvas's seven stores, five in California and two in New York City, are among about 100 such businesses nationally that have changed the way America deals with death — at least financially.  
Conglomerates have bought up many small, family-owned funeral parlors, leaving three giants to dominate the \$25 billion industry and handle one in every five funerals.  
Mr. Silvas, a 32-year-old former social worker, runs stores that sell about 4,000 caskets and gross \$3.7 million a year. He has taken the burying business on-line, too, with a company Web site. And he also fills unusual orders.  
A Nigerian diplomat recently ordered a mahogany coffin flown to Africa for the burial of a tribal chief, he said. A woman called to ask for one for her German shepherd, and another customer bought a coffin for use as a wine rack.  
Kelly Smith, spokesman for the Milwaukee-based National Funeral Directors Association, which represents 15,000 professionals, said that while retail stores such as Direct Casket "give consumers another option, we have members with prices that are competitive, too."  
The nation's largest casket manufacturer, Batesville Casket Co., based in Indiana, stays far away from the cut-rate business.  
"We will distribute only to licensed funeral directors, and our caskets come with a warranty," the company's spokesman, Joe Weigel, said.  
At Direct Casket, prices start at \$295 for a plain pine coffin used for Orthodox Jewish rites, compared with an average cost of \$695 at a funeral home. The most expensive item is a \$3,495 bronze casket with a brush lacquer top and a tufted velvet interior that Mr. Silvas said normally sells for at least \$10,000.  
The 24 coffins on display and 16 more available from a catalog are made by six manufacturers who have asked Mr. Silvas not to release their names.  
"They're afraid they'll lose business, because we're undercutting the funeral homes," he said.  
Officially at least, funeral homes are not resisting the changes. It is the law.  
"But when people are grieving, it's not like buying a car. You need to be very careful," said Terry Hemeny, spokesman for Service Corp. International in Houston, one of the three industry giants.

## Drachma Devaluation Hit Greek Phone Firm

**Bloomberg News**  
**ATHENS** — Hellenic Telecommunications Organization SA posted on Sunday a first-quarter net profit of 45.2 billion drachmas (\$148.5 million).  
The state telephone monopoly, known as OTE, said it suffered a loss of about 10 billion drachmas when Greece devalued its currency by 14 percent against a basket of European currencies as it joined the European exchange-rate mechanism. That raised the drachma value of its foreign-currency debt.  
The company said comparable 1997 figures were not available because it did not prepare results using international accounting standards last year. Still, OTE said operating revenue rose at least 12 percent from a year earlier, to 207.6 billion drachmas.

## LOANS: U.S. Pledges to Support Bailout for Russian Economy

**Continued from Page 1**  
some of the same concerns in Russia.  
"But this time the main motivations are political: If Russia were forced to devalue the ruble, it would strike a huge blow to the stability of the government."  
"The Indonesians, the Koreans and the Thais weren't sitting on tens of thousands of nuclear weapons," one State Department official said late last week as rumors of a Russian bailout plan were circulating. "The disaster here would be an economic meltdown that aided Yeltsin's enemies on the right."  
■ **Kiriyenko Tries to Ease Fears**  
*David Hoffman of The Washington Post reported from Moscow:*  
"The White House announcement came as Russian officials attempted to reassure the jittery markets in Moscow ahead of the resumption of trading Monday.  
Prime Minister Sergei Kiriyenko

gave a lengthy interview Sunday on a popular evening television news magazine show attempting to soothe worries that the crisis will deepen this week.  
Mr. Kiriyenko acknowledged that his new government was facing a "crisis of confidence." He said, "The fact that spending has not been radically restructured over a long period of time — we have continued to spend more than we earned; the fact that this deficit was covered with new debt every time — all this started to approach the danger zone."  
On Friday, Moody's Investors Service downgraded Russian foreign debt to a rating of B1 from Ba3. The agency also downgraded the country's ceiling for foreign-currency bank deposits from B2 to B1. The moves came late in the trading day in Moscow, and the market fell slightly on the news.  
Andrei Piontkowsky, a political analyst here who has been a sharp critic of Russia's tycoons, said the White House

statement would be welcome by financial markets on Monday morning.  
"It will reassure the market," he said. "Tomorrow is very important. There was stabilization on Friday, but by Friday evening, Moody's downgraded. Everyone is concerned about Monday's reaction. This is a reassuring measure."  
Mr. Piontkowsky noted that Mr. Kiriyenko had said Russia did not yet need an emergency loan from the IMF, but he added that the White House statement "is very important psychologically."  
Reuters reported, meanwhile, that Economics Minister Yakov Urinson said on Sunday that the central bank would soon start reducing its refinancing rate, which tripled to 150 percent to shore up the ruble in the middle of a financial crisis last week.  
"The refinancing rate will start moving down this week or the next week for sure. Financial markets will get back to normal then," Mr. Urinson told state-run RTR television.

## WORKER: Advent of New Go-Getters in China as Layoffs Rise

**Continued from Page 1**  
accelerate nationwide last fall, when the government pledged to bring out state-owned industries once and for all, a steady propaganda campaign has urged former factory workers who cannot create their own work, like Mr. Fu, to swallow their pride and move into "service" jobs. In practice, that usually means relatively menial positions that have often been filled by poor migrants from the countryside.  
Beijing and other large cities around the country have even issued new regulations banning rural migrants from all but the most laborious occupations, hoping to force a share of them to return home and increase opportunities for registered city residents.  
Some former state workers are, of course, landing new jobs in the expanding national economy. But many jobs in the service sector that is supposed to absorb the unemployed involve onerous work and wages that appall one-time factory workers used to receiving more like \$80 to \$100 a month plus housing, health and pension benefits — and, perhaps more important, thought of themselves as proud standard-bearers of a socialist republic.  
"Workers are not so willing to pick

up some kinds of jobs," Deputy Prime Minister Wu Bangguo said in a recent interview in Beijing. "We have to re-adjust their mentality toward certain kinds of jobs."  
Yichang, a city of 1 million, is in a curious economic state. As the nearest city to the construction site of the giant Three Gorges Dam, it is enjoying something of a boom, with new banks and government offices and apartment blocks rising.  
The boom appears to be a thinly spread one, though, overlaying the rot of the state-owned industries that used to dominate Yichang. Many residents say they have felt little direct benefit from the billions of dollars poured into the dam.  
The August 1 Iron and Steel Works, where Mr. Fu worked, ceased operations in early 1997, laying off its last 4,000 workers.  
In January, when their promised monthly survival stipend was delayed, hundreds of former workers blocked a busy street in protest. The payments resumed, a steady drain on public coffers.  
Now, the giant steelworks — named after the founding day of the People's Liberation Army in 1927 — is an unguarded, overgrown estate of silent in-

dustrial hulks and crumbling apartment blocks in which hundreds of former workers continue to live for free.  
One former steelworker, a man in his early 40s, said he was willing to take any work but had run up against a strong bias toward younger hires. He said his wife sold vegetables and made about \$36 a month. When that was added to his \$20 monthly stipend from the mill they are able to eat, he said, but he is despaired of the \$120 they needed for school fees and books for their son.  
Mr. Fu has supplemented his employment service with apartment listings and a matchmaking service: hopeful men and women each pay him \$18 for a referral, and if the couple does not hit it off, they each get \$12 back. He says he has brought together 15 couples over the last year, though he is not sure if any actually got married.  
Mr. Fu said that overall he is clearing about \$120 a month, a bit more than he had earned at the steel mill. His wife, who was also laid off from the mill, is also making some extra money making and selling birthday cakes.  
Despite their success in private business, the two of them still receive the steel mill's \$20 monthly living stipend. "This is the superiority of socialism," Mr. Fu said with a hearty laugh.

## SITEL to Hire 10,000 U.K. Call Operators

**Reuters**  
**LONDON** — SITEL Corp., a U.S. company that operates call centers, said Sunday that it would create 10,000 jobs in Britain over the next five years.  
The company's SITEL UK Ltd. subsidiary said it planned to quadruple sales to about \$400 million a year by 2002 and increase staff numbers to more than 12,000 from 2,500.  
Call centers, where operators deal directly with customers for companies in insurance, banking and other industries, have grown strongly in Britain.  
The London School of Economics has estimated that at about 270,000 employees, there are more people working for telephone call centers in Britain than coal miners, steelworkers and auto industry employees combined.  
SITEL said it expected an increasing number of companies to subcontract customer-service operations.  
Paul Cresswell, who is in charge of the expansion plan, said, "The number of call centers will rise from currently 3,500 to around 5,000 in the year 2002."  
"Those companies using such a large resource need to work with an innovative partner which has the right skills, resources, processes, flexibility, breadth and attitude to deliver world-class solutions to meet the developing challenges of customer management," Mr. Cresswell said.

## The Race for Rolls-Royce Approaches Finish Line

**Bloomberg News**  
**FRANKFURT** — Volkswagen AG and Bayerische Motoren Werke AG have made it clear the eight-month auction for Rolls-Royce Motor Cars Ltd. will not be over until Vickers PLC shareholders have cast the last vote at a special meeting Friday.  
While Volkswagen is expected to win the auction with its \$430 million bid (\$701 million), it is not taking any chances, and company representatives met over the weekend to discuss the final week of battle.  
VW's chief executive, Ferdinand Piech, said he thought VW still only had a "50/50" chance of winning.  
BMW, whose \$340 million bid remains on the table, says it does not plan "to sit in a corner" and will try to win Vickers's shareholders to its side but denied reports that it was planning a higher last-minute offer.  
"I don't think we have seen the end of the game," said Guy Hewett, an analyst at Charterhouse Tiney Securities in London. "BMW wants Rolls just as much as VW, but I can't see any way of winning without raising the bid."  
A group of Rolls enthusiasts are reported to be preparing a bid to rival the two German automakers. The group calling itself Crew Motors, led by Michael Shrimpton, will offer Vickers \$450 million for Rolls, the Sunday Times reported. Crew has also offered to match the \$350 million Volkswagen said it would invest in developing Rolls-Royce models.  
The drawn-out fight for Rolls that has been played out as much in the media as it has in the boardroom reflects the importance the two carmakers attach to acquiring a top segment brand that will contribute more to prestige and image than earnings as both companies look to expand their model ranges across all segments.  
Some 500 Vickers shareholders are expected to turn up Friday at the Horticultural Halls in London at 10 A.M. to vote on who will be the next owner of the world's most prestigious car marque. A lively debate is expected with some smaller shareholders, eager to keep the brand in British hands, likely to voice complaints over the sale of Rolls to a German company.  
Mr. Piech, 50, and Mr. Piech, 61, have sought to deflect nationalist sentiment about the sale of Rolls by promising to maintain the "Britishness" of the company. They have sketched out similar ideas for developing the Rolls-Royce and Bentley brands, the crux of which is centered around making a new cheaper Bentley to increase volume.  
Institutional shareholders, which own 95 percent of Vickers, will be unmoved by the nationalist fervor and are likely to vote for the highest offer. The company's largest shareholder, Schroders Investment Management, which owns about 19 percent of Vickers, declined to comment on which way it would vote but said the decision would be made in its shareholders' interests.  
One unknown factor still is Rolls-Royce PLC, the jet-engine maker that owns the Rolls-Royce brand name and says it can veto the purchase of the carmaker by a foreign buyer. Rolls-Royce has publicly come out in favor of BMW, with whom it has an jet-engine joint venture and reiterated its commitment to BMW again last week. Its veto rights have yet to be tested in court.

## Net Providers In Germany Decry Ruling

**Reuters**  
**BONN** — Germany's leading Internet service providers said the conviction of a former CompuServe executive last week threatened their continued operation in Germany.  
Germany.net and Deutsche Telekom AG's T-Online as well as CompuServe Deutschland and its parent company, America Online Inc., said in a joint news release Saturday that the ruling was a legal setback that had created confusion over their legal liabilities.  
A Munich court gave Felix Somn, the former head of CompuServe Deutschland, a two-year suspended sentence and fined him 100,000 Deutsche marks (\$56,100) for failing to block Internet access to child pornography via the service provider.  
Even the prosecutors in the case had called for Mr. Somn's acquittal, as the federal legislature passed a multimedia law after the charges were brought against him. The new law does not hold service providers responsible for content they do not create.  
Mr. Somn plans to appeal.  
The four Internet service providers said the decision "puts in question the decision of whether to operate an on-line service in Germany or to provide access to the Internet."  
They said providers who create only technical access to the Internet must not be held responsible for illegal content. Otherwise, they said, growth in the industry will be choked off, with serious consequences for Germany.  
The service providers condemned the dissemination of illegal material via the Internet and said they supported efforts to apprehend those who post it.  
But they said the Somn conviction made Internet service providers into scapegoats and made no constructive contribution toward eliminating the problem.

## RUPLAH: IMF Says Indonesia Is Worse Off Than It Had Thought

**Continued from Page 19**  
IMF accords set a number of deadlines for austerity measures developed to make the economy more open and efficient, at the cost of short-term hardships including higher prices and possible shortages of commodities. But Mr. Neiss said those target dates were now untenable.  
"When it does not make sense to stick with certain deadlines," he said, "we have to be pragmatic and relax the deadlines."  
He did not say when the IMF would resume its aid, which was suspended in February because of Indonesia's slow implementation of reforms.  
But he said he understood that the aid was urgently needed.  
"With the economy deteriorating," he said, "every week delayed will make it more difficult."

Mr. Neiss made his remarks at a news conference in the office of the coordinating minister for economics and finance, Gitaandjar Kartasasmita.  
Mr. Gitaandjar, who has pledged to abide by the country's commitments to the IMF, said that his immediate strategy was "to deal with the urgent situation." This would include addressing impending food shortages, creating labor-intensive projects to employ people and helping small companies and exporters to revive their businesses.  
At the same time, Adi Sasono, the minister of cooperatives and small and medium enterprises, proposed the creation of a multimillion-dollar fund to combat food shortages by easing credits and strengthening the collapsing food distribution network.

In its last meeting, in April, Indonesia and the IMF agreed on a strict timetable over the coming months for implementation of economic reforms that included cuts in government subsidies for food and fuel, an end to monopolies and cartels and a revision of restrictive trade practices.  
"Deadlines are never absolutely firm," Mr. Neiss said. "They are always adjusted given evolving circumstances and new possibilities."  
He did not say whether new deadlines had been agreed upon.  
Economists here say new assessments have driven private projections of the inflation rate this year to as high as 47 percent and projections of unemployment to as much as 20 percent, especially with food shortages increasing under the pressure of a debilitating drought and costly imports.

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Figures as of close  
of trading Friday, May 29

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This table shows the performance of Nasdaq-listed funds trading from Friday and includes the top 4,000 funds in terms of assets. Funds are ranked by assets under management. Funds are rounded to \$100 million. Funds currently listed on Nasdaq.

Group names are shown in bold face, with individual funds in all caps. Funds are listed below. Funds that are not part of a group are listed below.

**NAV** is the net asset value. **LS** is the portfolio value divided by the number of shares outstanding, as reported by the fund through Friday. **NAV** excludes all sales or redemptions. **NAV** change shows the variation from the previous Friday.

**Home field footnotes:** **c** = available only through a contractual plan; **n** = front-end load or contingent deferred sales charge; **p** = fund assets are sold to pay distribution costs; **r** = redemption fee or contingent distribution costs; **s** = redemption fee or contingent distribution costs.

**Price field footnotes:** **c** = ex capital gains distribution; **i** = previous day's closing price; **o** = offer price.

هكذا من الامين



# Indonesia Economy Strands Astra on Rough Road Back to Profit

By Michael Richardson  
International Herald Tribune

**JAKARTA** — The smashed glass windows of the Toyota showroom are not a good sign for business.

The damaged showroom is just below the headquarters of PT Astra International, Indonesia's largest maker of cars and motorcycles, which counts former President Suharto among its many shareholders.

Mobs who burned and looted for several days in Jakarta recently, in a wave of protest that ended Mr. Suharto's 32-year rule, were responsible for the damage.

But two floors above the showroom, Theodore Rachmat, Astra International's president director, is more worried about another problem — the deepening recession in the world's fourth most populous country.

The company is the sole importer, assembler and manufacturer of Toyota Motor Corp. vehicles and Honda Motor Co. motorcycles. It also has the Indonesian franchise for Bayerische Motoren Werke AG, PSA Peugeot Citroën SA, Daihatsu Motor Co., Nissan Motor Co. and Isuzu Motors Ltd.

In 1997, Astra International accounted for about 50 percent of the 1.7 million motorbikes sold in Indonesia and about half of the 400,000 passenger vehicles. This year dealers say they will be doing well if they manage to sell 600,000 motorbikes and 75,000 cars.

The automotive business has been

very hard hit, and for the next two or three years the outlook is bleak," Mr. Rachmat said, reflecting similar concerns of many executives, both local and foreign, about business prospects in general.

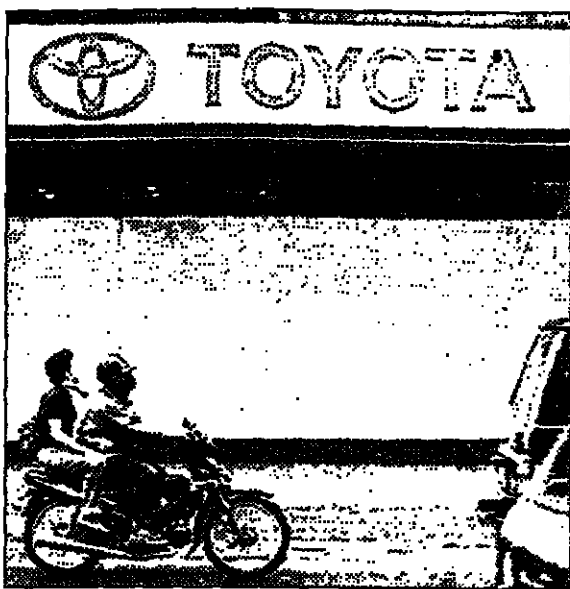
"It's no longer a matter of profits; it's a question of survival," Mr. Rachmat said. "The downturn has been so much worse than we expected."

When it was listed on the Jakarta Stock Exchange in 1990, Astra International was regarded as a blue-chip company. It was also a convenient proxy for many foreign investors who wanted to buy into Indonesia's growth, which for most of the past two decades averaged more than 6 percent a year after adjustment for inflation.

That growth created wealth that trickled down even into many farming villages. The affluent elite acquired an appetite for luxury cars and the emerging middle class bought sedans and light commercial vehicles, while the lower-middle class and the poor, including many living in rural areas, acquired motorbikes.

But last year, economic growth slowed to 4 percent as the rupiah plunged in value in the financial turmoil that engulfed East Asia starting in July. Inflation and interest rates skyrocketed, company and bank indebtedness increased, unemployment rose sharply and disposable incomes and purchasing power of many Indonesians started to decline.

In 1998, amid the social unrest and



A motorbike passing the boarded-up Toyota showroom Sunday. The Jakarta dealership was vandalized in riots that toppled the government.

political uncertainty, the pain across the country is even more acute. The economy is set to contract by at least 10 percent, and trade and commerce faces disruption because of a crisis in the banking system.

"If the economy can't get moving again," Mr. Rachmat said, "who will buy the cars and motorbikes?"

lion in foreign debt soared, wiping out prospects for a profit in 1997 and casting a cloud over its future.

Astra International stock is down 76 percent since July, finishing Friday at 1,050 rupiah.

"The group is very highly leveraged to an upturn in the Indonesian economy," said Peter Arkell, head of equity

sales at Dresdner Kleinwort Benson Securities. "But it is the sort of stock that foreign investors will be happy to buy when they see signs of a recovery."

In a recent memo to clients, the Castle Group business consultancy said it expected the Indonesian economy to grow about 2 percent in 1999, after shrinking 14 percent in 1998.

Steve Partono, head of Indonesian research for Goldman, Sachs & Co., said that Astra International had already cut costs by closing one of its two car assembly lines and planned to reduce debt by selling some businesses.

Mr. Rachmat said he expected asset sales to rise between \$100 million and \$150 million over the next few months but declined to say which parts of the conglomerate would be sold.

Even after such sales, he said, Astra International's foreign debt would need to be restructured to allow more time for repayment.

While the automotive side of the company's business, which accounted for more than two-thirds of the 1996 profit, is in temporary difficulty, he said, its palm oil production, through 65 percent-owned PT Astra Agro Lestari, should make a profit of about 300 billion rupiah in 1998.

"Our decision to diversify into agribusiness is now really starting to bear fruit," Mr. Rachmat said. "The profits from palm oil won't cover the group's expected losses this year, but it will certainly help reduce them."

## China Assails U.S. on WTO

Agence France-Presse

**BEIJING** — Washington must bear its share of responsibility for the "cruel refusal" of the World Trade Organization to admit China, official Chinese media reported Sunday.

Beijing's bid to join the WTO will dominate the summit meeting between the United States and China this month, the reports said.

The United States must shoulder part of the blame for the organization's cruel refusal over the past 10 years to China's repeated requests for membership, Zhou Shijian, vice chairman of the China Chamber of Commerce, told the China Daily Business Weekly.

The swelling U.S. trade deficit with China — a bone of contention between the two countries — could be vastly reduced if the United States would ease restrictions on high-technology exports to China, Mr. Zhou said.

"Without trade restrictions, U.S. companies might have obtained more market share in the emerging Chinese market," he said.

The official weekly said that Washington had exaggerated its trade deficit with China by underestimating its exports to China, while inflating imports.

## Seoul's Advantage In Trade Slips in May

Compiled by the Staff from Foreign

**SEOUL** — Prices for South Korean exported goods dropped faster in the local currency than those of imports in May, the central bank said Sunday, signaling that trade profitability is deteriorating.

The Bank of Korea said its basket of prices for exported goods fell 2.6 percent in May from April, while imported goods slid 1.6 percent.

The drop in export prices came as dwindling demand in Asia pressured South Korean exporters to lower export prices. The strengthening won also affected prices in the local currency, the central bank said.

"Our exports were supported by the price competitiveness that resulted from the won's sharp depreciation last year," said Han Sang Chup of Daewoo Research Institute. "But the weakening yen will eventually erase the advantage."

The dollar finished last week at 138.85 yen, after touching 139.20, a seven-year high. The dollar also rose Friday to 1,406 won but was well off a high of nearly 2,000 won reached late last year.

Dynamic random-access memory chips, the country's biggest single export item, led the drop in export prices for manufactured goods, falling 17 percent, followed by electricity transformers, off 11.4 percent, and computer monitors, down 9.1 percent.

The central bank said the strengthening won also cut

prices of imported raw materials and equipment.

Imported items that dropped this month included used steel, down 18.8 percent, machinery components, off 2.9 percent, and computer circuit boards, which fell 6.2 percent.

The central bank said effects from recent rioting in Indonesia would have a limited impact on South Korea's imports.

The central bank said that since January local-currency prices of exported goods have dropped 21 percent and imported goods have fallen 16 percent. South Korea's foreign-currency liquidity problems widely affect prices.

The export figures are just part of a raft of gloomy economic data released over the past few weeks.

Industrial production and consumption fell by more than 10 percent in April from April 1997, the second straight month of decline, and factories were operating at less than 70 percent of capacity.

South Korea's gross domestic product contracted 3.8 percent year-on-year in the first quarter of this year, the first decline in more than 17 years.

"Indicators are signaling only one thing: that the situation will be worse in the second quarter than in the first quarter, and then further worsen the next quarter," said an economist at a government-backed research agency who asked not to be named. (Bloomberg, Reuters)

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### SHORT COVER

#### U.S. Backs Bertelsmann Acquisition

**BONN (AFP)** — Bertelsmann AG said over the weekend that the U.S. Federal Trade Commission had approved its purchase of Random House from Advance Publications Inc. Bertelsmann will combine Random House with another U.S. subsidiary, Bantam Doubleday Bell.

#### Malaysian Airline Delays Jet Delivery

**KUALA LUMPUR (Bloomberg)** — Malaysian Airline System Bhd., citing the need to avoid excess capacity due to the Asian financial crisis, said over the weekend that it had delayed by as much as three years the delivery of most of the eight Boeing Co. 777 and six 747-400s aircraft it had been scheduled to receive by 2001.

#### Marathon Oil Expands in Canada

**HOUSTON (Bloomberg)** — Marathon Oil Co. has agreed to buy Tarragon Oil & Gas Ltd., an oil and natural gas exploration company based in Calgary, Alberta, for \$1.1 billion in cash, stock and assumed debt.

Marathon, a unit of USX-Marathon Group, said late Friday that it would pay \$760 million in cash and stock and assume \$340 million in debt. Shareholders of Tarragon can receive either 14.25 Canadian dollars (\$9.78) in cash per share or the equivalent in stock in a Marathon Canadian subsidiary.

#### Samsonite Sets \$5.5 Million Charge

**DENVER (Bloomberg)** — Samsonite Corp. will take a \$5.5 million pretax charge against first-quarter results for job cuts while increasing advertising amid declining sales and profit. The luggage manufacturer also said that sales from its Chinese joint venture were not covering costs and that it might sell or write off its stake.

#### Philips Electronics Seeks Acquisitions

**AMSTERDAM (Reuters)** — The chairman of Philips Electronics NV, Cor Boonstra, said on Dutch television that the company would start to look for acquisition opportunities. "There are no talks yet," Mr. Boonstra said. Philips agreed last month to sell its 75 percent stake in PolyGram NV to Seagram Co. for \$10.6 billion in cash and stock.

#### Trump Buys GM Building in N.Y.

**NEW YORK (NYT)** — In a deal reminiscent of the 1980s, Donald Trump and the Indianapolis insurer Conesco Inc. have paid \$800 million for the General Motors Building. Known as one of Manhattan's trophy properties, the 50-story midtown building fills an entire city block across Fifth Avenue from Central Park. Mr. Trump said late Saturday. "It's a terrific asset," Mr. Trump said in the world's probably the greatest real estate asset in the world.

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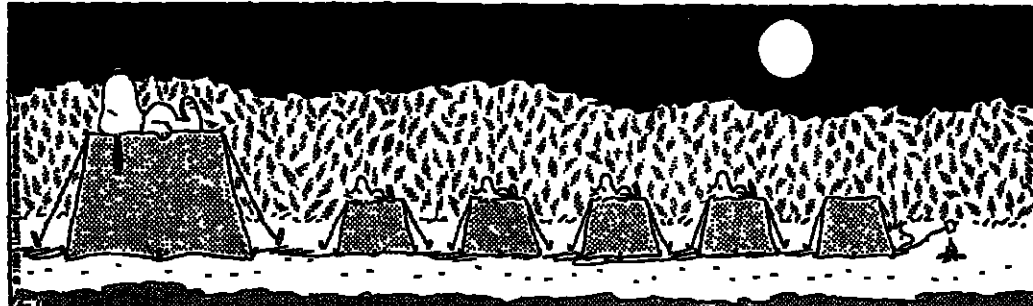
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"WHICH MAN OF THE HOUSE DO YOU WANT THE BIG ONE, OR THE LITTLE ONE?"

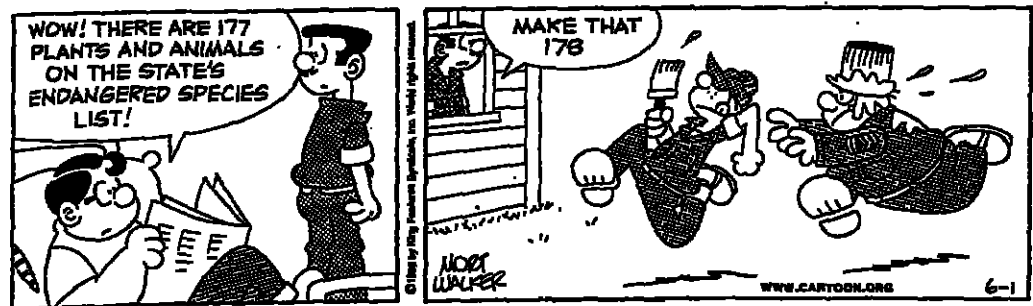
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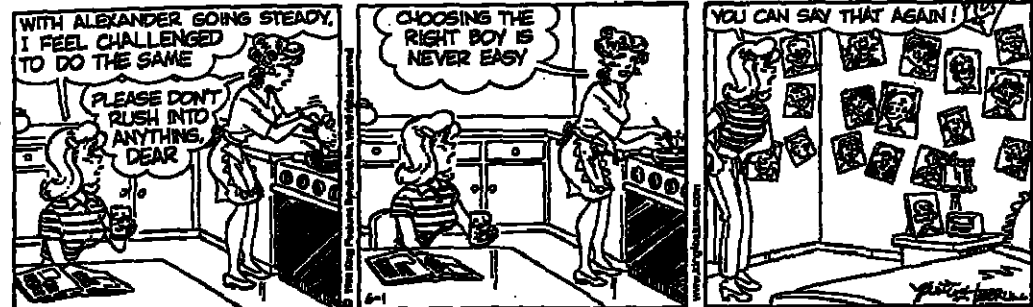
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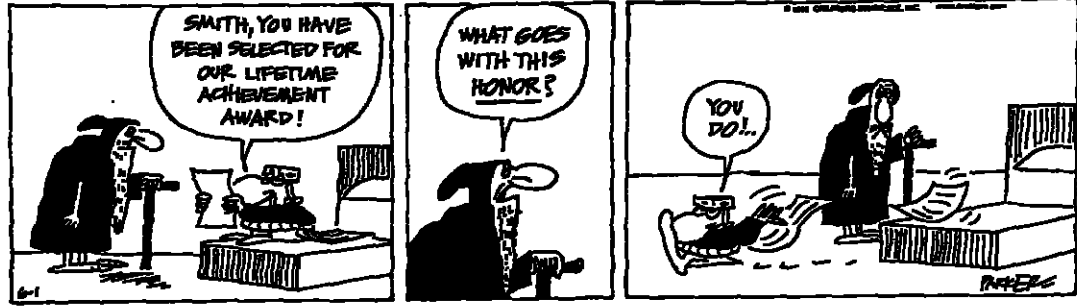
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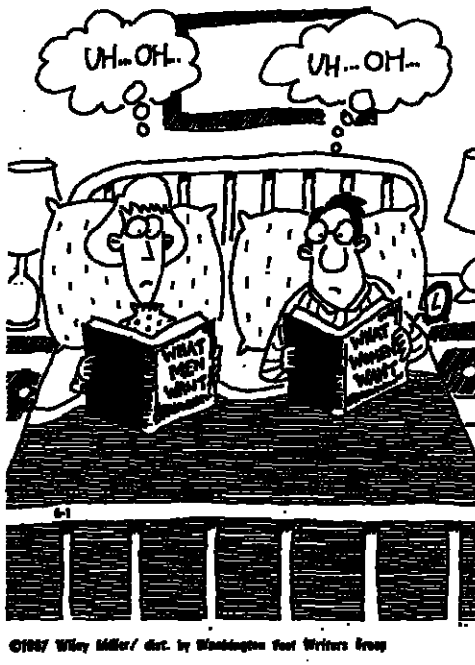
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SPORTS

# Hasek Plays The Goat as Sabres Lose

Goal From Blue Line Gives Capitals Victory And a 3-1 Series Lead

By Tarik El-Bashir  
New York Times Service

**BUFFALO** — Dominik Hasek has been known to win games all by himself. This time, he played a large role in losing cause.

Hasek allowed Joe Juneau to score a shorthanded goal from 70 feet (21 meters) late in the game Saturday night to seal the Capitals' 2-0 victory in Game 4 of the Eastern Conference finals. Wash-

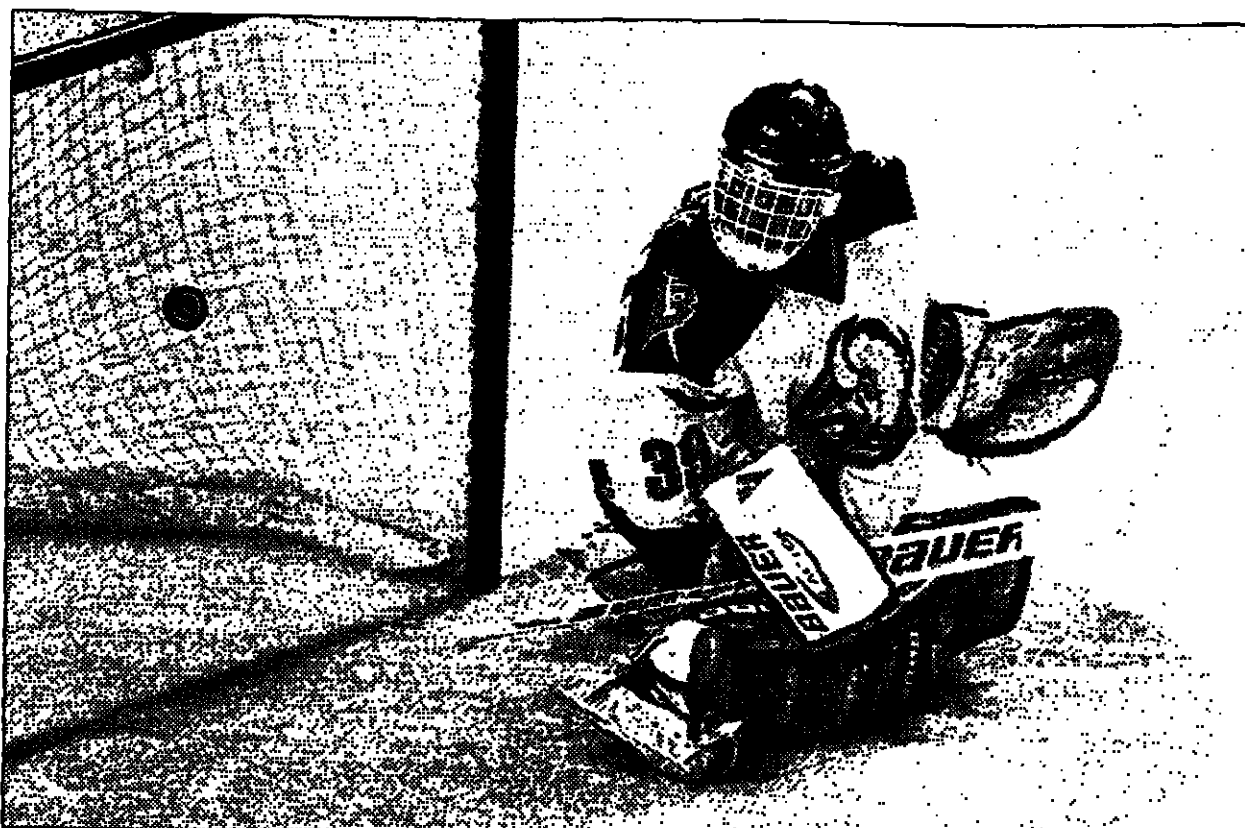
## NHL PLAYOFFS

ington now leads the best-of-seven series over Buffalo, 3-1.

The blame cannot be placed totally on Hasek, but Juneau's goal at 13 minutes 38 seconds of the third period, which "grazed Hasek's glove on its way into the goal, took the life out of Sabres and their crowd. Hasek has not been playing his best hockey during these playoffs, but until Saturday night's blunder, he had given the Sabres a chance to win every game.

"It was probably the fourth time in my life I've given up a goal from the blue line," Hasek said. "I would say, if I faced a thousand of those shots, none of them would go into the goal, but this one went into the goal. It's disappointing, but sometimes it happens."

If it were any goalie but Hasek, it would not be fair to say he has struggled in the series. But Hasek has not looked like the dominant goalie he was during



The Buffalo Sabres' goalie, Dominik Hasek, watching as Craig Berube's shot sails past him in the third period.

the regular season and in the Olympics.

"It has been a very demanding season on him, very demanding," said Lindy Ruff, the Buffalo coach. "Mentally, he could be wearing a little bit. But he seemed very fresh to me this morning. It wasn't that he seemed down at all. His personality was very bubbly."

After being stunned twice in overtime in the last two games, the Sabres started as if they had no desire for another extra session. Buffalo set the game's tempo in the first two minutes — fast and hard. The Sabres delivered tough hits, took quality shots and played responsibly in front of Hasek, who seemed to be recovering nicely from his string of un-Hasek-like performances.

The Sabres, however, had nothing to show for their efforts. Despite outshooting the Capitals, 20-12, in the first two periods, they were unable to put a single puck past the Washington goalie, Olaf Kolzig. For the game, Buffalo outshot Washington, 30-19. Kolzig stopped them all.

Kolzig was so good he even stopped shots he never saw. In the second period, the Sabres' Rob Ray skated in alone and whipped a wrist shot through a screen. But the Capitals' goalie, playing several feet out of his crease, blindly stopped the shot with his shoulder.

After playing two relatively conservative periods, Washington came out in the third playing with added intensity and quickly broke the scoreless tie.

Craig Berube's low, hard slap shot through traffic at 2:34 gave the Capitals a 1-0 lead. After Dale Hunter won the face-off in the Buffalo zone, the puck was kicked back to Phil Housley, who passed to Berube. His shot deflected off Hasek's right pad on the way in.

Juneau's goal gave the Capitals the 2-0 lead. After taking a pass at the red line, Juneau skated toward the boards and wound up 10 feet in front of the Sabres' blue line.

The shot beat a stunned Hasek, who appeared not to have been ready for it.

"The first goal looked like he could have been screened on it, but the second one was just bizarre," said Ruff. "The game was right there for us, even at 1-0. We just didn't get the breaks."

# Unfamiliar Territory For the Bulls: Game 7

Pacers' Victory Creates 'Do or Die' Finale

By Thomas George  
New York Times Service

**INDIANAPOLIS** — Indiana's victory over Chicago that forced a deciding game on Sunday night in the NBA Eastern Conference finals had even Michael Jordan struggling for perspective.

"Obviously, it's new," Jordan said, of having to play in a seventh game.

The two-time defending champion Bulls, downed by the Pacers, 92-89, Friday night, have had their ring-bedecked hands full against a team

## NBA PLAYOFFS

hungry for its first shot at an NBA title. The last time the Bulls faced a seventh game in a playoff series was in 1996, when the New York Knicks beat them in the second round while Michael Jordan was playing baseball.

With Jordan on the team, the Bulls haven't played in a seventh game since the second round of the 1992 playoffs, when they beat the Knicks and then went on to win the NBA championship.

"We've just got to play like there's no tomorrow, which it is," Jordan said. "Do or die."

Which is how Indiana played Friday night. The Pacers, with 25 points from their center, Rik Smits, won on the strength of an even first quarter, a 49-46 halftime edge and a free-for-all effort in the second half in which they used every ounce of energy to withstand the mighty Bulls.

And it didn't hurt that Jordan stumbled.

Jordan, as he has in each of the Bulls'

playoff games, led the team with 35 points, but he slipped and fell while driving to the basket in the game's closing seconds with the Bulls behind, 91-89. Jordan and the Bulls argued that he was tripped by Derrick McKey, but no foul was called.

"I actually thought I was tripped," Jordan said. "I had a clear path to the basket, and all of a sudden I started falling."

The Bulls' coach, Phil Jackson, who was fined for his criticism of the officiating in the Pacers' victory in Game 4, took issue with the referees again. "It was obviously a foul, and it wasn't called," he said.

McKey said he was also surprised no foul was called, though he said Jordan fell on his own. "He was leaning a little bit more than he had to," McKey said. "I don't know what happened. Because it's him, I was waiting for a foul to be called."

Jackson also argued an illegal defense call against Scottie Pippen with 1 minute 27 seconds left and the Bulls leading by one. Reggie Miller hit the free throw to tie the game, 87-87. "You never see a call at that point of a game," Jackson said.

Travis Best set the pace for the Pacers for most of the final 12 minutes and scored what turned out to be the deciding points, hitting a bank shot and two free throws.

Smits, who made 11-of-12 shots from the floor, was as hot as he had been cold earlier in the series. Miller, on the other hand, missed 11 of 13 shots and made only three free throws.

"I didn't think we'd ever see the line we saw from Reggie Miller tonight and not beat this team," Jackson said.

# McGwire Belts No. 27, but Padres Beat Cards

Mets Win 8th Straight as Leiter Shines; Gooden Strong in Losing Cause for Indians

The Associated Press

**SAN DIEGO** — Mark McGwire hit his major league-leading 27th home run for St. Louis, but the Padres tied the game in the bottom of the eighth and won it, 3-2, in the bottom of the ninth.

McGwire finished 1-for-3 with a walk and is tied with Juan Gonzalez of Texas for the major league record in lead with 66.

With two outs in the eighth, Ken Caminiti doubled in Steve Finley to tie the game. Quilvio Vera then drove in the winning run in the bottom of the ninth.

In the first inning, Alan Ashby, the San Diego starter, threw an 0-1 pitch down the middle of the plate and McGwire drove it into the seats in left-center field.

It was McGwire's 16th homer in May, breaking his own club record for homers in a single month. He had 15 last September. McGwire has 11 homers in as many games, including a two-run shot in Friday night's 8-3 victory over the Padres.

McGwire has already broken the major-league record for most home runs by the end of May — Ken Griff-

fey Jr.'s 24 in 1997 — and needs just five more to claim the mark for most runs by the end of June — Griffey's 32 in 1994.

Brian Jordan hit a run-scoring single for the Cardinals with one out in the third for a 2-0 lead. San Diego's Andy Sheets hit a run-scoring single in the fifth.

Brewers 12, Marlins 4 In Milwaukee, Cal Eldred finally got his first victory over a National League team, snapping a six-game losing streak to lead the Brewers to their fourth straight triumph.

Eldred (1-4), who gave up two unearned runs on four hits in five-plus innings, was winless in three interleague starts last season and in his first 11 starts this year after the Brewers switched leagues.

Mets 6, Phillies 4 In Philadelphia, Al Leiter struck out a season-high 10 batters and Carlos Baerga, Bernard Gilkey and Butch Huskey homered as New York won its eighth straight.

Pirates 8, Expos 7 In Pittsburgh, Montreal's right fielder, Vladimir Guerrero, threw

the ball away on Jason Kendall's bases-loaded single in the ninth. The three-run play capped the Pirates' comeback.

The Pirates' rally overcame Brad Fullmer's grand slam and five RBIs for Montreal. Cubs 5, Braves 5 In Chicago, Matt Mieske and Henry Rodriguez both homered as the Cubs hung on to beat Atlanta. The Braves lost their third straight game for the first time this year.

The Braves scored four runs in the ninth inning and had the tying run at second base with one out before Bob Patterson got Ryan Klesko to line into a double play for his first save.

Rockies 6, Astros 3 In Denver, Larry Walker hit a two-run homer to support John Thomson's solid pitching, and Colorado snapped a three-game losing streak.

Giants 4, Diamondbacks 1 In San Francisco, Barry Bonds' run-scoring single brought in the go-ahead run in the sixth inning and Orel Hershisser won his fifth straight game for San Francisco.

Hershisser (5-3), who lost his first three decisions of the season, went six innings, al-

lowing one unearned run and two hits with six strikeouts and five walks.

In the American League:

Rangers 10, Orioles 5 In Baltimore, Juan Gonzalez homered twice and Lee Stevens gave Texas the lead with a two-run shot in the eighth inning as the Rangers rallied after blowing a five-run lead.

Ivan Rodriguez led off the eighth with his third hit, a single, and Stevens followed with a 415-foot (126-meter) blast over the right-field wall.

Blue Jays 4, Indians 2 In Toronto, Carlos Delgado spoiled a strong pitching performance by Dwight Gooden as the Blue Jays snapped Cleveland's four-game winning streak.

Woody Williams (6-2), the Toronto starter, gave up only five hits, including Jim Thome's 12th homer, and struck out six.

With the Indians up 2-1 in the sixth, Gooden allowed two-out walks to Shawn Green and Jose Canseco before giving way to Alvin Morman, who faced Delgado. After a double steal, Delgado hit a two-run double to put the

Blue Jays up, 4-3.

Gooden gave up three runs on just two hits, including a solo homer by Green.

Twins 5, Angels 1 In Minneapolis, Otis Nixon ended a month-long stay on the disabled list with two stolen bases and two runs to spark Minnesota.

Wearing a face mask to protect his still-healing jaw — which made his batting helmet look like a football helmet — Nixon stole a base and scored in each of the first two innings as the Twins built a 6-0 lead.

Nixon took a ball to the jaw when he made a diving attempt on a line drive by Jim Edmonds in the eighth. He finished the inning but then was pulled for a pinch-hitter.

Athletics 10, Royals 4 In Kansas City, Mike Blowers drove in five runs with two late homers and Oakland scored six runs in the ninth inning.

Blowers hit a two-run homer off Scott Service in the eighth to tie the game at four before capping the big ninth with a three-run shot off Matt Whisenant.

Devil Rays 5, Mariners 2 In St. Petersburg, Florida, Mike



The Cardinals' Mark McGwire blasting his major league-leading 27th home run.

Kelly broke a 1-for-17 slump with two singles and drove in three runs to lead Tampa Bay to victory over Seattle.

Dennis Springer (2-8) snapped an eight-game losing streak, allowing two hits in five innings to get his first

victory since April 4.

Tigers 6, White Sox 0 In Detroit, Brian Moehler pitched Detroit's first shutout of the season and Luis Gonzalez and Tony Clark homered for the Tigers.

Joe Randa drove in three runs with three hits and Kimera Barteo scored after each of his own two doubles. Damion Easley extended his hitting streak to 19 games, the best in the American League this season, with a second-inning single.

# A Tale of 2 Japanese Pitchers: Nomo Struggles While Irabu Hits His Stride

At Dodger Stadium, Boos Replace Cheers

By Bill Plaschke  
Los Angeles Times

**LOS ANGELES** — Once, there were flashbulbs, hundreds of them, lighting the sky above Chavez Ravine with each dramatic windup.

Once, the pitcher won an award named for Jackie Robinson, joined a club that included Sandy Koufax and finished third in a popularity poll to the Japanese prime minister.

Once, Nomomania applied to all those infatuated with the Dodgers' dominating Japanese pitcher.

Now, the Dodgers are trying to trade Nomo to the Seattle Mariners as part of a package for Randy Johnson. And on Saturday, a lovely spring afternoon was ruined by a former hero who may suddenly be in the autumn of his career.

For an excruciating hour and 15 minutes at Dodger Stadium, Hideo Nomo was again more baffling to the Dodgers than the other guys, allowing the Cincinnati Reds six runs in less than four innings in a 7-3 loss.

Nomo hasn't won a game in a month, the Dodgers have lost nine of his 12 starts and he appears unable to make it all better.

When asked about future adjustments on Saturday, Nomo said through an interpreter: "I'm not going to do anything different."

The Reds hit the ball hard in every direction, then explained it with wide eyes and big smiles.

"He's not throwing as hard as he did last year," said their catcher, Eddie Taubensee. "You lay off his fastball, and just wait for his fastball."

Said the Cincinnati outfielder Reggie Sanders: "I remember him throwing a lot harder. He has to adjust, but maybe

it's hard to relate that to him."

With a fastball that has slowed after elbow surgery and a forkball that spoons, the 29-year-old pitcher has gotten old, fast. In his first two seasons with the Dodgers, he was 29-17 with a 2.90 earned-run average. In the last two seasons, he has gone 16-19 with a 4.55 ERA.

Maybe his arm is simply wearing down after throwing the difficult forkball for nine seasons, including five years in Japan. Maybe, while favoring the repaired elbow, he has developed a shoulder problem that he won't acknowledge. He wouldn't be the first pitcher to hide something.

Maybe it's all this trade talk that's bothering him, which might have been killing Saturday when a Mariner scout was unfortunately sitting close enough to get blood on his shirt. Maybe Nomo, who has told teammates he wants to stay, was thinking about all of this.

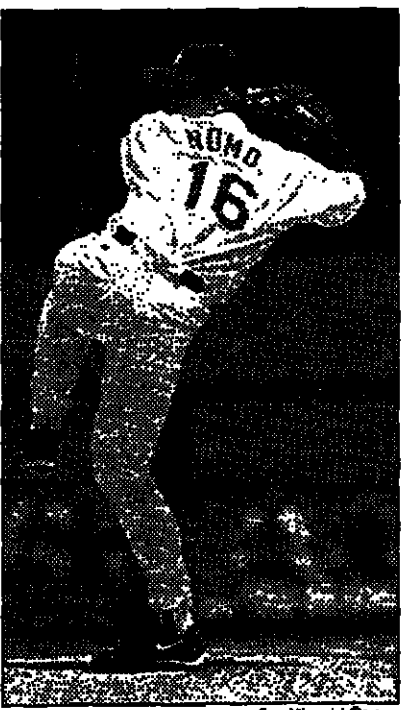
"It has to affect you," Gary Sheffield said. "I've been through it. It's something you never want to hear."

In the old days, when Nomo was throwing a no-hitter in Colorado or striking out 17 Florida Marlins, hitters swung at that low forkball because they were afraid of his fastball. Today, it's just another low pitch.

The problem is that Nomo apparently doesn't think he has any troubles. When asked about his current 2-7 record, he said, "That's not something that bothers me at all."

When asked about the boos, which began only 40 minutes into the game after he gave up a two-run double by the 216-hitting Jon Nunnally, he said, "That's something that can't be helped."

Obviously, part of what Nomo says is always lost in the translation. It is unfair



The Dodgers' Hideo Nomo going into his windup against Cincinnati.

to interpret his comments as meaning he doesn't care. It may still be asked, however, why he hasn't used some of his \$2.7-million annual salary for language lessons.

Nomo speaks some English with his teammates, but Dodger officials basically get what they can get.

A smile, a shrug, a promise to keep working and absolutely no answers. All this on a day when having some would have been nice.

The Dodgers need somebody to shake them awake. Used to be, Nomo was that somebody.

# After Much-Maligned First Season, Yanks' Fireballer Has 4-1 Mark

By Jack Curry  
New York Times Service

**NEW YORK** — Hideki Irabu deserves an apology or, two, or three. Just think about it. How unfair is it that Irabu's implosion into ineptitude with the Yankees last season was covered with much more zest and vigor than his explosion into ecstasy this season?

Do the headline writers who treated one of Irabu's weak batting practice sessions in spring training like a World Series flop feel silly? They should.

Irabu deserves apologies from some reporters, both the American and Japanese journalists who attacked him rather than analyzed him during a forgettable first season. He deserves apologies from some fans, who made his entrance into games last September seem as if he were despised. He deserves apologies from George Steinbrenner, the Yankees' owner, who sometimes belittled his \$12.8 million investment.

"Everybody was saying \$12.8 million is a lot of money for a guy who can't pitch," said Don Nomura, Irabu's agent. "I'm saying that \$12.8 million is a steal for the Yankees right now."

Two months ago, Nomura would never have dared to utter something so bold. Two months ago, Irabu was still trying to prove that he belonged in the major leagues. But, as Irabu lumbered to the mound against the Boston Red Sox on Saturday, he did so as the best pitcher on the best team in baseball.

Irabu gave up only three hits in seven innings, but they included a two-run homer by Mo Vaughn. Bret Saberhagen pitched strongly for 6½ innings and the Red Sox won, 3-2.

It was Irabu's first loss of the season.

He is 4-1, and he could be 8-0, because he has not allowed more than two earned runs in seven starts and had one four-inning beauty wiped out by rain. Before Saturday's game, he had a 1.13 earned-run average, the lowest in the majors. He had held batters to a .174 average and a .114 mark with runners in scoring position. He should be favored to win the comeback player of the year award.

He already has secured the award for being most deserving of an apology.

"I'm surprised the earned-run average is that good," said the Yankees' manager, Joe Torre, who usually stopped short of maligning Irabu. "There's a lot of things that surprised me about him."

Save the jokes about Irabu being overweight, which he is. Save the remarks about Irabu being a two-pitch pitcher, which he is on a good day because he has often barreled by with just a fastball. Save the tales about him being cautious, which he is.

What matters to the Yankees is that Irabu is a reliable pitcher who no longer displays his emotions when he staggers. Irabu has tempered his temper, bonded with his pitching coach, Mel Stottlemyre, and is more accepted by teammates because of his maturity, work ethic and humility.

"You have to be comfortable enough with yourself to even allow yourself to be accepted by people," Paul O'Neill, the outfielder, said. "It's not like he just got here anymore. He's one of us."

Irabu senses the acceptance and, through an interpreter, said: "Last year, I had no experience in the major leagues. I hadn't pitched against all the teams. I didn't know the batters. It was very rough. This year, I've been getting

a lot of advice."

Surely, Irabu is enjoying this turnaround. He is not the Japanese Nolan Ryan, as he was advertised, but he has reached 97 miles per hour (155 kilometers per hour) with his fastball. He is not the stiff who Torre said was not in pitching shape while going 5-4 with a .709 last year. Surely, Irabu has been motivated by the abuse he received. He just will not concede it.

"Last year's criticism hasn't motivated me at all," Irabu said. "My motivation is wanting to do the things to be successful as a starter in the major leagues."

Irabu is still robotic when discussing himself, never looking at the questioner and loading up on clichés. He offered one peek into his feelings when he indirectly discussed how nice it is that the hoopla that turned each start into an event in 1997 has subsided. Only about 15 Japanese reporters cover Irabu's starts, down from three times that number.

"This year, the overall atmosphere is very focused on baseball," Irabu said. "I get a lot of support being in that atmosphere and having my teammates help focus on baseball."

O'Neill added: "There was so much hype when he got here, Nolan Ryan wouldn't have lived up to it. It shows how mentally tough he is. He put that behind him. He's only going to get better."

When Nomura was asked about Irabu blending in with less fanfare this season, he snapped: "Failure stories sell better than success stories."

Can Irabu get better? O'Neill and Torre said he could. While Irabu probably thinks he can improve, he answered as coyly as someone who was awaiting an apology. "I wonder," Irabu said. "You know, I wonder about that."



## WORLD ROUNDUP

### Coach of England Drops Gascoigne

**SOCCER** Glenn Hoddle, the coach of England, axed Paul Gascoigne as he cut his squad to the World Cup limit of 22, British television reported Sunday.

Sky News, referring to a media briefing held by David Davies, a spokesman for the team, said at its training camp in Spain that the other players left out were Phil Neville, Andy Hinchcliffe, Nicky Butt, the striker Dion Dublin and the goalkeeper Ian Walker.

Gascoigne, 31, was the only member of the squad with experience of the World Cup finals. He played in the 1990 semifinal. (Italy Goalie Is Out, Page 26)

### Zulle Increases Lead

**CYCLING** Alex Zulle tore through the individual time trial at the Tour of Italy on Sunday to open up a substantial overall lead.

Zulle covered the 40 kilometers (25 miles) in and around Trieste in northern Italy in 44 minutes, 38 seconds for his third-stage victory. Sergei Gonchar, another time-trial expert, was second 53 seconds back. Zulle leads Pavel Tonkov by 2:02 in the overall standings. (AP)

### Raiders Draftee Dies

**FOOTBALL** Leon Bender, a defensive tackle who signed with Oakland this month after being taken by the Raiders in the second round of the National Football League draft, was found dead Saturday in the bathroom of his agent's home in Marietta, Georgia, a suburb of Atlanta. The cause of death was not known, but the police said they do not suspect foul play.

Bender had epilepsy, said a spokeswoman for Washington State University where he played on the football team. It was not known whether that contributed to his death.

• The defensive end Pat Swilling, once an NFL Defensive Player of the Year, is coming out of retirement to rejoin the Oakland Raiders, the team said. (AP)

### Kiwi Crush Sri Lanka

**CRICKET** New Zealand beat Sri Lanka by 167 runs on Sunday in the first test in Colombo. Paul Wiseman, an off-spin bowler, took five wickets and Daniel Vettori, a left-arm spinner, took three as Sri Lanka collapsed. (AFP)

### Low Scores in Hamburg

**GOLF** Paul Broadhurst and Darren Clarke shared the lead Sunday after the third round of the Deutsche Bank Open in Hamburg. Both shot 65s for 54-hole aggregates of 198, 18-under-par. Lee Westwood broke the course record with a 61 and is third. (AP)

## It's Showdown Time For Hingis and Venus

### Both Breeze to Set Up Quarterfinal; Rios of Chile Beats Costa in 4 Sets

By Christopher Clarey  
International Herald Tribune

**PARIS**—They shared the same flight from Florida, the same hotel and the same plan: to meet in the women's final.

But the paths of the Williams sisters diverged Sunday, and it is clear that the gap in age between the 17-year-old Venus and 16-year-old Serena is also a gap in maturity.

A more poised and polished player would have found a way to finish off Arantxa Sanchez Vicario in the fourth

and shouted at Sanchez Vicario to make herself heard above the din.

"I was just saying, 'Arantxa, Arantxa. One bounce,'" Serena said.

But Sanchez Vicario took umbrage at her aggressive tone, and after the Spaniard lost the set on the next point by knocking a forehand volley long, she was convinced that justice had not been done. A short ball that Serena knocked in the direction of her face when she was at net later in the match did not improve her mood.

"I just think she doesn't have any respect for the person who is across the net, and I'm glad I beat her," said Sanchez Vicario, who will face Patty Schnyder, an unseeded Swiss player, in Tuesday's quarterfinals.

Not surprisingly, Serena had a different view of the afternoon's events, and shared the view, widely held on tour, that Sanchez Vicario has a difficult time accepting the opinions of linespeople and chair umpires.

"Every time I see her play a match, she always argues about almost every call," Serena said. "So I would have been surprised if she didn't do it against me."

There were few surprises in the earlier women's fourth-round matches. World No. 1 Martina Hingis was the first to advance with a 6-1, 6-2 victory over Anna Smashnova of Israel, and though Hingis jokingly clasped her hands together and looked skyward in the hopes that Venus would lose against Hingis, her prayers were not answered.

After Venus Williams's 6-1, 6-3 victory, the quarterfinal match that Paris had been bracing for since the draw was announced became a reality.

Hingis and Williams have played four times this season already, and each has won twice, although Hingis won in three sets in the Italian Open final and has to be a slight favorite on clay.

"It was a good victory for me to beat her in three sets in the finals of a big tournament. I hope she will remember that," Hingis said.

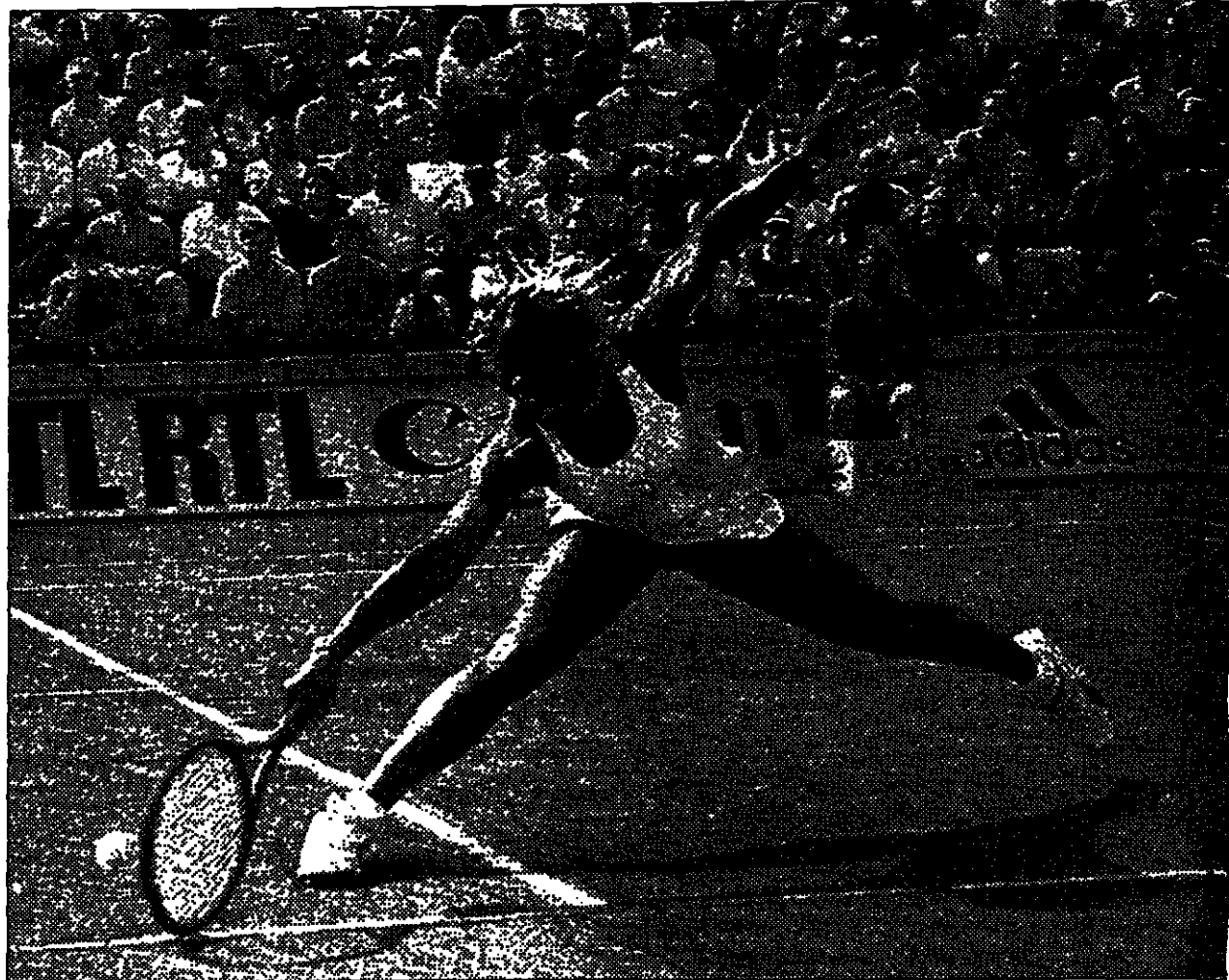
### Monday's Top Matches

**Cedric Pielme vs. Marat Safin** France's last hope likes speed from the baseline, but he has rarely seen the kind of pace that Safin generates at age 18.

**Alberto Berasategui (16) vs. Michael Arundel** Two physically small men with big doses of creativity.

**Alex Corretja (14) vs. Jason Stoltenberg** The Americans are gone, but one Australian remains. Unfortunately, Spanish, not English, remains the lingua franca on clay.

**Philip Dewulf vs. Francisco Clavet** Dewulf has proved that last year was no fluke, but can he get back to the semifinals without qualifying?



Serena Williams stretching for a backhand against Arantxa Sanchez Vicario on the Suzanne Lenglen Court.

Hingis made a point of down-playing her fast-developing rivalry with Williams. "I'm almost three thousand points up in the rankings, so you can't really say there are rivalries for me," she said.

Although no American man advanced past the third round at Roland Garros for the first time in the open era, three American women reached the quarterfinals: Venus, the No. 2 seed Lindsay Davenport and the No. 6 seed Monica Seles.

Davenport, no clay-court specialist, survived a potentially tricky encounter with the No. 14 seed, Sandrine Testud of France, on center court, 6-3, 4-6, 6-2. Seles, who has been sharp despite missing training because of the recent death of her father Karoly, beat Chanda Rubin, another American, 6-1, 6-4.

Seles will face the winner of Sunday night's match between Jana Novotna and Anna Kournikova, which was suspended because of darkness with Novotna leading, 4-2, in the decisive third set. Kournikova played the final game, which she won, in tears, apparently because she had been denied a bathroom break.

Davenport will meet the winner of the match between Conchita Martinez and the defending champion, Iva Majoli, which was also suspended Sunday night at one set all.

There is no defending champion left in the men's event, only future champions. On Sunday, Marcelo Rios of Chile took a step toward winning his first Grand Slam event by beating Albert Costa of Spain, 4-6, 6-4, 6-3, 6-3.

Rios, the No. 3 seed, and Costa, the No. 13 seed, were supposed to play in the Italian Open final two weeks ago,

but a wrist injury to Costa kept that match from taking place. Costa was in fine health for this fourth-round match, and he played a brilliant first set, but Rios is the most complete player left in this tournament and his speed, angled ground strokes, clever serving and timely net-rushing eventually wore down Costa's considerable strengths.

When Costa led, 4-2, in the second set, he was the one dictating pace from the baseline. But then Rios began pushing forward and taking the ball earlier. It was enough to regain the edge and reach his first quarterfinal at Roland Garros.

Rios's next match will not offer him any respite. Carlos Moya, who beat Jens Knippschild of Germany on Sunday, won the clay-court event at Monte Carlo this season and is, like Rios, a former Australian Open finalist.

In the other quarterfinal in the top half of the draw, Felix Mantilla of Spain will face Thomas Muster of Austria. Muster defeated Fernando Meligeni of Brazil in four sets and has not advanced this far at

Roland Garros since he won the event in similarly slow and heavy conditions in 1995. Mantilla beat Ramon Delgado, the Paraguayan who upset Pete Sampras, in straight sets.

Mantilla's friend and practice partner, Alex Corretja, the No. 14 seed from Spain, had a much more difficult time in the third round against Hernan Gummy of Argentina. When rain stopped their match on Saturday night, Corretja was down two sets to one. When they resumed play on Sunday afternoon, Corretja won the fourth set and jumped out to a 5-1 lead in the fifth, only to watch Gummy swashbuckle his way even.

In the end, Corretja would win this five-and-a-half hour match 9-7 in the final set, and share a long and emotional embrace with Gummy at the net.

"I told him that he is a great person," Gummy said. Several hours later, when Serena Williams and Sanchez Vicario finally shook hands, there would be no similar exchange of pleasantries.

### FRENCH OPEN

IN PARIS, FRANCE  
WOMEN'S SINGLES  
THIRD ROUND

Serena Williams, U.S., def. Dominique Van Roost (15), Belg., 6-1, 6-1; Patty Schnyder, Switz., def. Stéphanie Rebois, Fr., 6-2, 6-1; Conchita Martinez (7), Sp., def. Virginie Razzano-Pascual, Sp., 6-1, 6-4; Magui Serna, Sp., def. Ruxandra Dragomir, Rom., 6-4, 2-6, 6-1; Arantxa Sanchez Vicario (4), Sp., def. Aleksandra Frnkal, Fr., 6-2, 6-1; Iva Majoli (10), Cro., def. Martina Draz-Olive, Arg., 6-2, 7-6 (7-2); Sandrine Testud (14), Fr., def. Gela Leon Garcia, Sp., 6-1, 6-1; Lindsay Davenport (2), U.S., def. Elena Likhovtseva, Rus., 7-5, 7-5.

FOURTH ROUND  
Martina Hingis (1), Switz., def. Anna Smashnova, Isr., 6-1, 6-2; Venus Williams (8), U.S., def. Hingis Nagayova, Slovakia, 6-1, 6-2; Lindsay Davenport (2), U.S., def. Sandrine Testud (14), Fr., 6-3, 4-6, 6-2; Patty Schnyder, Switz., def. Magui Serna, Sp., 6-1, 6-3.

Monica Seles (6), U.S., def. Chanda Rubin, U.S., 6-1, 6-4; Arantxa Sanchez Vicario (4), Sp., def. Serena Williams, U.S., 4-6, 7-6, 6-3.

MEN'S SINGLES  
THIRD ROUND  
Hicham Arazi, Morocco, def. Mariano Zabala, Argentina, 6-4, 0-6, 6-4, 7-6 (7-3); Cedric Pielme, Fr., def. Richard Krajicek (10), Neth., 6-3, 6-2, 7-6; Alberto Berasategui (16), Sp., def. Dominik Hrbaty, Slovakia, 6-7 (2-7), 6-3, 7-6; 7-5; Marat Safin, Russia, def. Daniel Vacek, Czech R., 6-3, 3-6, 6-3, 7-5; Francisco Clavet, Sp., def. Michael Chang (7), U.S., 6-7 (4-5), 6-2, 6-4; Alex Corretja (14), Sp., def. Hernan Gummy, Argentina, 6-1, 5-7, 6-7 (4-7), 7-6, 7-5.

FOURTH ROUND  
Felix Mantilla (15), Sp., def. Ramon Delgado, Paraguay, 6-2, 6-2, 6-4; Thomas Muster, Austria, def. Fernando Meligeni, Brazil, 6-4, 6-7 (8-10), 6-3, 3-6, 6-3; Carlos Moya (12), Sp., def. Jens Knippschild, Germany, 6-3, 7-5, 3-6, 6-4; Marcelo Rios (3), Chile, def. Albert Costa, (13), Sp., 4-6, 6-4, 6-3, 6-3.

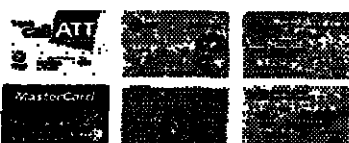


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2 Big Parties In Germany Warming to A Coalition

Socialists' Wish to Find Support From Conservatives

Habibie, Sayin Vows to Serve

By [Name] Jakarta — The reformer Habibie, calling for President Suharto to step down, has vowed to serve as president if elected. Habibie, 55, is the son of a prominent Indonesian family and has served as vice president of the Golkar party. He is seen as a potential successor to Suharto, who is expected to leave office in May 2001. Habibie has been a vocal critic of Suharto's long rule and has called for democratic reforms. He has also been seen as a potential ally for the reformers who are pushing for change in Indonesia.